

**THE COUNTY COMMISSIONERS  
OF CHARLES COUNTY  
Charles County, Maryland**

**FINANCIAL STATEMENTS  
June 30, 2009**

# Charles County, Maryland

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## Independent Auditor's Report

The County Commissioners of Charles County  
La Plata, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The County Commissioners of Charles County (the County), as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Board of Library Trustees for Charles County, Maryland, a discretely presented component unit, which represent .37 percent of the assets, .08 percent of the net assets, and 1.13 percent of the revenues of the aggregate discretely presented components units. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as they relate to the amounts included for the Board of Library Trustees for Charles County, Maryland are based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 6, 2009 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be read in conjunction with this report in considering the results of our audit.



The management's discussion and analysis and budgetary information as listed on the table of contents and the schedule of employer contributions and schedule of funding progress for the sheriff's office retirement plan and schedule of employer contributions and schedule of funding progress for the county employees retirement plan included in note 6 and schedule of funding progress and schedule of employer contributions to the OPEB plan included in note 7 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Clifton Henderson LLP*

Baltimore, Maryland  
November 6, 2009

## Management's Discussion and Analysis

Our discussion and analysis of the financial performance of The County Commissioners of Charles County, Maryland provides an overview of the County's financial activities for the Fiscal Year ended June 30, 2009. We encourage readers to use the information presented here in conjunction with the financial statements (beginning on page 17), and the accompanying notes to those financial statements (beginning on page 34).

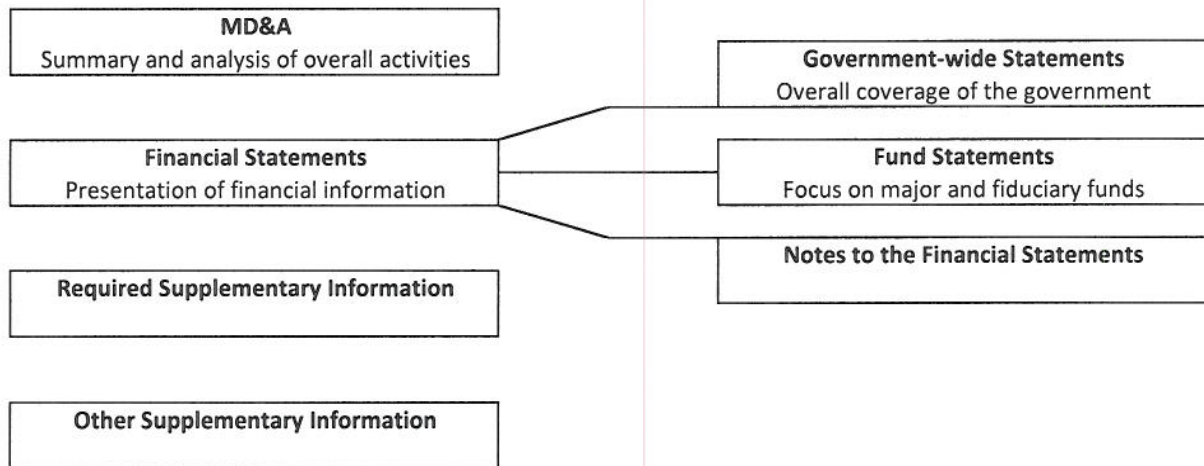
### Financial Highlights

- ★ The government-wide assets of Charles County exceeded liabilities at the close of the current fiscal year by \$399.4 million (*net assets*). A decrease in assets is primarily due to a revenue budget shortfall from lower than expected income tax and interest income earnings. The economic recession has directly impacted many of the County's revenue sources.
- ★ The County's change in net assets was a reduction of \$1.9 million.
- ★ As of the close of the current fiscal year, Charles County's governmental funds reported a combined ending fund balances of \$77.4 million, a decrease of \$18.3 million from the prior year. Approximately 60% of this total amount, \$46.2 million, is available for spending at the government's discretion (*unreserved fund balance*).
- ★ Unreserved undesignated fund balance for the General Fund was \$2.4 million or less than 1% of General Fund expenditures at June 30, 2009. The County's revenue policy sets a goal to establish fund balance at a minimum of 8% of operating revenues. For FY2009, \$23.4 million of fund balance is designated as Policy Target of the total \$42.1 million.
- ★ The County maintains a long-term fiscal plan that calls for the reinvestment of fund balance over the course of the next five years of approximately \$8 million to fund capital projects, another \$6 million to fund debt service associated with new schools, and \$2.5 million to fund public school education needs.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's financial statements. Charles County's financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the financial statements themselves. The diagram below illustrates how each element of the statements can be used to enhance the overall understanding of the information presented.

### ***Financial Statement Presentation***



### ***Government-wide financial statements (Reporting on the County as a Whole)***

The government-wide financial statements are designed to provide readers with a broad overview of Charles County Government's finances, in a manner similar to that of a private-sector business. The Statement of Net Assets and the Statement of Activities are prepared using the accrual basis of accounting.

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Historical trending of these increases and decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, education, highway and street maintenance, health, parks, and recreation. The business-type activities of the County include water and sewer services, solid waste management, environmental services (recycling) programs, golf course operation, recreation programs, vending, and development services (plan review and inspection).



The government-wide financial statements include not only the operations of Charles County Government itself (known as the primary government), but also the legally separate organizations of the Board of Education of Charles County, Maryland, and the Board of Library Trustees for Charles County, Maryland (component units). The financial information for these component units is reported separately from the financial information presented for the primary government. The government-wide financial statements can be found on pages 17-19 of this report.

### ***Fund financial statements (Reporting on the County's Most Significant Funds)***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Charles County Government maintains twenty-one individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, the Capital Projects Fund, and the Debt Service Fund, which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation in the governmental fund financial statements. The governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary funds - Proprietary funds include internal service funds and enterprise funds. An internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. Charles County does not maintain any internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer services, solid waste management, environmental services programs, golf course operations, recreation programs, vending and development services.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered to be a major fund of the County. The remaining six enterprise funds are combined into a single, aggregated presentation in the proprietary fund

financial statements. The proprietary fund financial statements can be found on pages 24-27 of this report.

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. Fiduciary funds include four fund types - pension trust funds, investment trust funds, private-purpose trusts, and agency funds. The County does not maintain any investment trust funds or private-purpose trusts. The three trust funds maintained by the County are the Sheriff's Office Retirement Plan, the County Employees Retirement Plan, and the OPEB Trust plan. The single agency fund that the County maintains is the Volunteer Emergency Services LOSAP plan. The fiduciary fund financial statements can be found on pages 28-29 of this report.

***Notes to the financial statements.*** The notes provide additional information that is essential to developing a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-84 of this report.

***Required supplementary information.*** In addition to the financial statements and accompanying notes, this report presents certain required supplementary information that is not considered a part of the financial statements. Included in this section is a budgetary comparison for the General Fund, which demonstrates compliance with the annually adopted budget. This information can be found on page 87 of this report.

***Other supplementary information.*** Other supplementary information includes the Combining Balance Sheet and the Combining Statement of Revenues, Expenditures and Changes in Fund Balance for other non-major governmental funds. Also presented here are the Combining Statement of Net Assets, the Combining Statement of Revenues, Expenses and Changes in Net Assets, and the Combining Statement of Cash Flows for the other non-major proprietary funds. These reports can be found on pages 90-105 of this report.

## **Government-wide Financial Analysis**

As noted earlier, trend analysis of net assets may serve as a useful indicator of a government's financial position. In Charles County, assets exceeded liabilities by \$399.4 million at the close of the most recent fiscal year, as shown in the summary schedule of net assets below.

By far the largest portion of Charles County's net assets, \$386.7 million (96%), reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets (4%) represents resources that are subject to external restrictions on how they may be used



**Net Assets**  
**June 30, 2009 and 2008**  
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 199,080	\$ 232,830	\$ 32,708	\$ 37,576	\$ 231,788	\$ 270,406
Capital assets, net of depreciation	432,516	392,345	184,670	173,807	617,186	566,152
Total assets	631,596	625,175	217,378	211,383	848,974	836,558
Non-current liabilities	298,865	281,923	85,230	82,077	384,095	364,000
Other liabilities	57,394	61,075	8,046	10,171	65,440	71,246
Total liabilities	356,259	342,998	93,276	92,248	449,535	435,246
Net assets:						
Invested in capital assets, net of related debt	277,294	255,344	109,407	100,098	386,701	355,442
Restricted net assets	21,012	32,866	0	0	21,012	32,866
Unrestricted net assets	(22,969)	(6,032)	14,695	19,037	(8,274)	13,005
Total net assets	\$ 275,337	\$ 282,178	\$ 124,102	\$ 119,135	\$ 399,439	\$ 401,313

**Changes in Net Assets**  
**Years ended June 30, 2009 and 2008**  
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2009	2008	2009	2008	2009	2008
Program revenues:						
Charges for services	\$ 13,471	\$ 20,710	\$ 36,245	\$ 37,239	\$ 49,716	\$ 57,949
Operating grants	30,173	22,157	0	0	30,173	22,157
Capital grants	4,556	10,134	923	772	5,479	10,906
General revenues:						
Property taxes	181,396	161,344	0	0	181,396	161,344
Other taxes	95,158	112,276	0	0	95,158	112,276
Other	19,706	13,649	6,136	1,735	25,842	15,384
Total revenues	344,460	340,270	43,304	39,746	387,764	380,016
Program expenses:						
General government	9,410	13,592	0	0	9,410	13,592
Public safety	95,922	87,502	0	0	95,922	87,502
Education	167,951	191,557	0	0	167,951	191,557
Judicial	11,545	4,198	0	0	11,545	4,198
Health	8,698	8,160	0	0	8,698	8,160
Social services	1,848	1,943	0	0	1,848	1,943
Community services	19,108	18,735	0	0	19,108	18,735
Economic development	1,505	1,623	0	0	1,505	1,623
Public facilities	14,534	31,504	0	0	14,534	31,504
Water and sewer	0	0	23,618	25,226	23,618	25,226
Other	21,278	18,598	14,220	14,479	35,498	33,077
Total expenses	351,799	377,412	37,838	39,705	389,637	417,117
Excess (deficit) before transfers	(7,339)	(37,142)	5,466	41	(1,873)	(37,101)
Net transfers	498	515	(498)	(515)	0	0
Change in net assets	(6,841)	(36,627)	4,968	(474)	(1,873)	(37,101)
Net assets - beginning of yr	282,178	318,805	119,134	119,608	401,312	438,413
Net assets - end of year	\$ 275,337	\$ 282,178	\$ 124,102	\$ 119,134	\$ 399,439	\$ 401,312

Overall, the financial position of Charles County remained relatively constant compared to last year. The change in net assets reflects a 2% decrease for governmental activities. Governmental expenditures exceeded revenue by \$7.4 million due to a planned use of fund balance in the amount of \$4.4 million for various one-time costs and additionally an unplanned use as a result of Income Tax and Interest Income falling short of budget by another \$3 million. The severity of the economic recession directly impacted both revenue sources, as well as, many other smaller revenues sources. The business-type activities showed a 4% increase for change in net assets.

**Governmental activities.** To aid in the understanding of the Statement of Activities (pg 18), some additional explanation is given. Of particular interest is the format of this statement. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expenses)/Revenue and Changes in Net Assets. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the County's taxpayers. It also identifies how much each function draws from the general revenues, or if the function is self-supporting through fees and grants. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

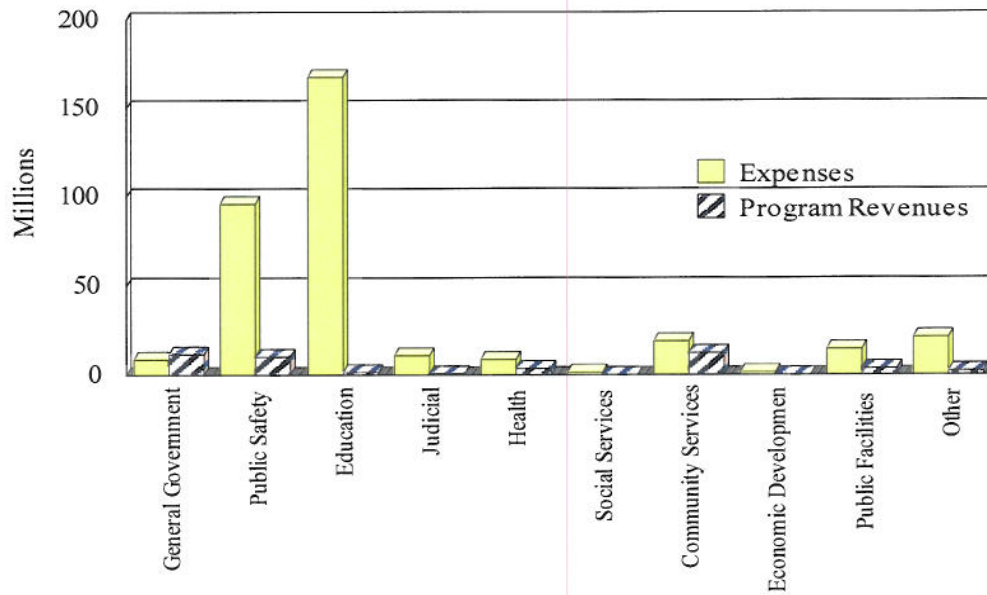
The County's major source of revenue, Property Tax, increased by \$19 million (12%) compared to FY2008. Residential and commercial property value assessments increased by 19% compared to fiscal year 2008. The County granted property tax credits for owner occupied homes by limiting the property tax increase compared to the prior year to 7%. The tax credit known as "The Homestead Tax Credit" limits a tax bill to an increase of no more than 7% over the prior year regardless of the growth in assessment value. Homestead Tax Credits equaled nearly \$24 million in property tax credits to homeowners throughout Charles County.

Recordation taxes, revenues received from transfer of property, decreased by 36% compared to Fiscal Year 2008. A slump in the real estate market caused a revenue shortfall of \$9 million compared to the original adopted budget of \$17 million. The shortfall was identified early in the fiscal year and initiated a mid-year budget cut to nearly all departments and agencies of the Government.

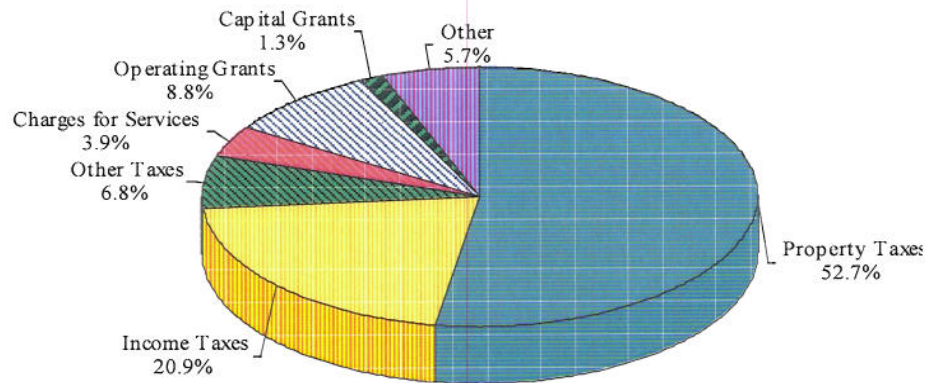
Income tax revenue had a budget shortfall of \$6 million. The full-year effect of a mid-year 2008 legislative change by the State of Maryland negatively impacted local governments' income tax revenue receipts. The tax law change combined with the economic recession resulted in much lower than expected tax revenue.

General Fund expenditures decreased by \$3 million compared to FY2008, representing a 1% decline. Public Education, Public Safety, and Debt Service combined for a \$7 million increase, or approximately 3% increase compared to FY2008. The remaining General Fund budgets saw a decrease of 15%.

Expenses and Program Revenues - Governmental Activities (Year Ended June 30, 2009)



General Governmental Revenues by Source - Governmental Activities (Year Ended June 30, 2009)





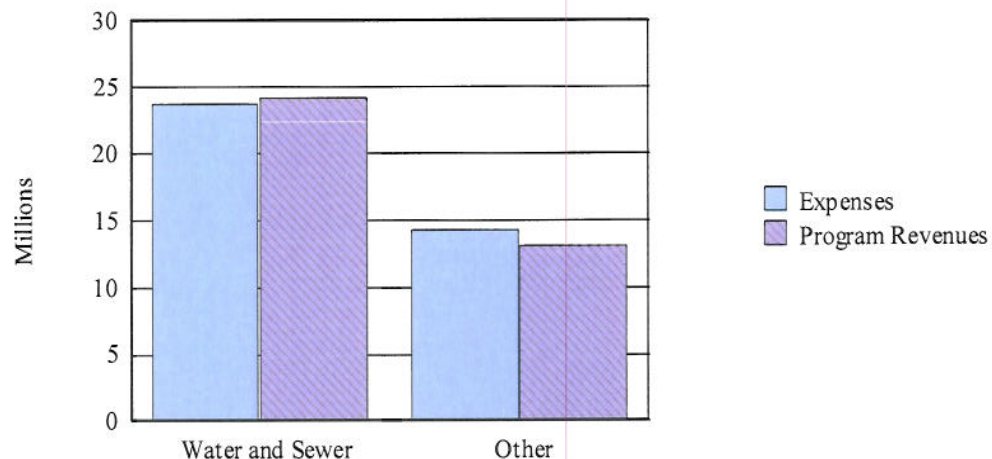
**Business-type activities.** The Water and Sewer Fund is considered a major fund for reporting purposes. For Fiscal Year 2009, the water user fee was increased by fourteen cents per thousand gallons of water consumed, and the sewer user fee was increased by thirty-one cents per thousand gallons of water consumed, for a combined water and sewer user fee rate of \$7.60 per thousand gallons of water consumed. The combined rate increase was slightly above 6% and was needed to fund the increased costs for labor and other operating costs.

The County owns and operates a landfill. The primary source of revenue is derived from tipping fees. The fee of \$70 per ton for commercial and residential refuse was unchanged compared to FY2008. The County recently completed its third expansion of the existing landfill site to accommodate local county waste.

In conjunction with the landfill operation, the County also operates recycling and environmental programs. The recycling operation helps keep reusable items out of the landfill, thus extending the life, which, in turn, defrays the cost of the landfill and defers the need for additional sites. The recycling and environmental programs are funded by an annual user fee of \$68 assessed on each improved property in the County, an increase of \$3 compared to fiscal year 2008. Additional revenue is generated from the sale of recyclable materials.

The Board of County Commissioners are committed to maintaining low tax rates and adjusting fees for services to preserve a self-supporting level. User fees are reviewed and changes are recommended on a regular basis during the County's budgeting process. There are many factors that affect user fee revenue, ranging from weather conditions to citizen participation. For example, unseasonably dry weather creates a greater demand for water, which in turn increases user fee revenue.

Expenses and Program Revenues - Business-type Activities (Year Ended June 30, 2009)





## Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$77.4 million, a decrease of \$18.3 million in comparison with the prior year. Approximately 60% of this total (\$46.2 million) constitutes unreserved fund balance, which is available for spending at the county's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to fund the purchase of capital assets (\$.6 million), (2) to fund capital projects(\$22.6 million), (3) to perform services as provided by grants and contributions (\$6.4 million), and (4) for inventories (\$1.5 million).

The General Fund is the chief operating fund of the Charles County Government. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$44.5 million, while total fund balance was \$47.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 15% of the total General Fund expenditures, while total fund balance represents 16% of that same amount.

The fund balance of the County's General Fund decreased by \$7.4 million during the current fiscal year. Approximately \$4.4 million of the decrease was a planned (intentional) use of fund balance, another \$3 million was due to an operating loss resulting from revenue budget shortfalls.

The fund balance of the County's Capital Projects Fund decreased by \$8.2 million during the current fiscal year. The decrease in fund balance is primarily due to a transfer of \$5.7 million to the Debt Service Fund used to assist in the payment of debt service associated with school construction. The funds from the Capital Project Fund originated from developer contributions made for school construction.

The fund balance of the County's Debt Service Fund decreased by \$840,000 during the current fiscal year. This decrease is due to transfers related to the Excise Tax debt service subsidy from the General Fund and the certain timing of debt payments with the receipt of related notes receivables.

**Proprietary funds.** Charles County's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$7.7 million. Unrestricted net assets of all proprietary funds were \$14.7 million. There was a total increase in net assets for all proprietary funds in the amount of \$4.9 million. Other factors concerning the finances of all these funds have already been addressed in the discussion of the County's business-type activities.

## General Fund Budgetary Highlights

The General Fund Operating Budget was adopted at \$313 million with budget amendments approved during the year that netted to a \$6 million decrease and an amended budget of \$307 million. Shortly after the start of FY2009 it became apparent that a severe slump in the real estate market would create a significant revenue budget shortfall of approximately \$9 million in Recordation Tax. Budget action was swiftly taken to decrease expenditures by \$8 million by an across-the-board budget cut and by transferring \$1 million from the Capital Project Fund due to project surpluses.

Actual revenues fell short of the adjusted budget by \$12 million primarily in three categories: Income Tax, Interest Income, and Highway User Tax. These three revenue sources totaled a budget shortfall of nearly \$12 million. The State of Maryland enacted a legislative change which resulted in lower income tax revenue for local governments. This legislative change combined with the economic recession contributed to the overall shortfall of \$6 million in income taxes. Lower interest rates caused a shortfall in Interest Income of approximately \$4 million. Higher gasoline prices and the economic recession resulted in lower demand for vehicle fuel causing a shortfall in Highway User tax revenue of \$1 million. Property Tax revenue met budget and increased by 13% compared to FY2008. Recordation Tax revenue was greatly affected by the downturn in the real estate market, however, tax revenue slightly exceeded budget after being adjusted by \$9 million in the Fall of the year.

Expenditure savings of \$7.5 million significantly offset the revenue shortfalls previously noted. A budget reduction plan was established during the year to counter the revenue shortfalls, therefore, savings were achieved throughout County government. Overall expenditures decreased by 1% compared to FY2008 as the County cut back on transferring funds to the Capital Project Fund for pay-as-you-go projects. FY2008 included a transfer of general funds to the Debt Service Fund for school construction of \$6.8 million. A similar transfer for FY2009 was made from the Capital Project Fund which significantly reduced costs to the General Fund.

## Capital Asset and Debt Administration

**Capital assets.** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$617.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was slightly over 9% (a 10% increase for governmental activities and a 6% decrease for business-type activities).



**Capital Assets**  
**(net of depreciation)**  
**June 30, 2009 and 2008**  
(amounts are presented in thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2009	2008	2009	2008	2009	2008
Land (not depreciated)	\$ 47,566	\$ 45,877	\$ 2,174	\$ 1,983	\$ 49,740	\$ 47,860
Construction in progress (not depreciated)	184,186	204,993	79,891	68,607	264,077	252,236
Land improvements	5,621	5,022	4,854	5,054	10,475	10,076
Infrastructure	102,702	93,293	82,943	82,256	185,645	175,549
Buildings and improvements	60,985	31,190	10,616	11,067	71,601	42,257
Machinery and equipment	25,027	4,783	2,938	3,404	27,965	8,187
Vehicles	6,429	7,188	1,254	1,437	7,683	8,625
<b>Total</b>	<b>\$ 432,516</b>	<b>\$ 392,346</b>	<b>\$ 184,670</b>	<b>\$ 173,808</b>	<b>\$ 617,186</b>	<b>\$ 566,154</b>

Additional information on the County's capital assets can be found in Note 3 on pages 50-52 of this report.

**Long-term debt.** At the end of the current fiscal year, the County had notes and bonds outstanding of \$328.8 million, which are backed by the full faith and credit of the County.

**Outstanding Debt**  
**General Obligation Bonds and Notes Payable**  
**June 30, 2009 and 2008**  
(amounts are presented in thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$258,422	\$ 250,842	\$ 55,678	\$ 53,663	\$ 314,100	\$ 304,505
Notes payable	1,657	2,146	13,031	13,827	14,688	15,973
<b>Total</b>	<b>\$ 260,079</b>	<b>\$ 252,988</b>	<b>\$ 68,709</b>	<b>\$ 67,490</b>	<b>\$ 328,788</b>	<b>\$ 320,478</b>

The County's total debt increased by \$8.3 million during the current fiscal year. The issuance of bonds at favorable interest rates combined with the County's strategic long term financial policy of primary 15-year bond terms resulting in rapid pay down of debt, has provided the County with the ability to issue new debt without a large negative fiscal impact.

During the year, the County issued \$52.5 million of general obligation bonds, of which \$2 million is taxable.

The County continues to maintain an "AA" rating from Standard & Poor's, an "AA+" from Fitch Investors Service and an "Aa2" from Moody's Investors Service.

The County may issue general obligation and revenue bonds under existing authority conferred by the Maryland General Assembly. As a Code Home Rule county, the County has also enacted public local laws authorizing the issuance of general obligation bonds. The County currently has \$50,691,100 of general obligation bond authority.

State statutes limit the amount of general obligation debt a governmental entity may issue for water, sewer, and solid waste infrastructure to ten percent of its total assessed valuation. This debt is typically backed first by revenue bonds from the various enterprise funds and secondly by the full faith and credit of the County. The current debt limitation for Charles County is \$1.1 billion, which significantly exceeds the County's current outstanding general obligation debt related to revenue bonds. Additional information on the County's long-term debt can be found in Note 3 on pages 56-62 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- ★ The County's largest revenue source, Property Tax, is expected to increase 6% compared to FY2009. The second largest revenue source, Income Tax, decreased slightly by 1.2%. Nearly all other revenue sources are budgeted below the FY2009 budget level, netting to an overall Revenue Budget decrease of 0.4%
- ★ Overall property tax revenue is estimated to increase by 6% due to the rise in real property value coupled with a steady growth in new construction. Full Year Real Property tax revenue is estimated to increase 7.3%. Ordinary Business Corporation tax revenue (property tax from businesses) is estimated to decrease 8% primarily due to increasing the exemption rate on property assessment associated with power generating assets from 35% to 40%. The decline in business property tax revenue lowers the overall tax revenue growth rate to 6%.
- ★ Income tax revenue is budgeted 1% less than FY2009 due to the revenue shortfall experienced in FY2009 and due to the lingering economic recession. The local tax rate remained the same.
- ★ Expense budgets were cut in order to balance the General Fund appropriations to the revenues. However, the Board of Education, which represents 47% of the total budget, increased by 0.1% compared to FY2009. The funding is regulated by the State of Maryland legislation titled "Maintenance of Effort" which essentially provides the same level of funding from the prior year adjusted for student enrollment growth. Repayment of the County long-term debt received the greatest allocation of funds, increasing by \$1.1 million. Another \$1.4 million is budgeted to be transferred to the Capital Project Fund for Pay-as-you-go capital projects. These funds were appropriated from the designated fund balance within the General Fund.

These factors, as well as many others, were considered in preparing the County's budget for Fiscal Year 2010.

During Fiscal Year 2009, fund balance in the General Fund decreased to \$47.3 million. The County has appropriated \$4.2 million of this amount for spending in Fiscal Year 2010.

## **Requests for Information**

This financial report is designed to provide a general overview of Charles County's finances for all those with an interest in the County's finances. Questions concerning any information provided in this report should be addressed to:

Director of Fiscal and Administrative Services  
Charles County Government  
P.O. Box 2150  
La Plata, MD 20646

Please visit our website at [www.charlescounty.org](http://www.charlescounty.org)



THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 12,464,624	\$ 1,194,997	\$ 13,659,621	\$ 45,261,867
Short-term investments	90,092,500	0	90,092,500	474,784
Other receivables	35,673,028	5,512,513	41,185,540	6,435,586
Notes receivable	0	339,740	339,740	0
Excise tax receivable	28,891,986	0	28,891,986	0
Taxes receivable	5,205,567	0	5,205,567	0
Internal balances	(24,789,760)	24,789,760	0	0
Inventory	1,521,884	641,525	2,163,409	865,469
Other current assets	220,486	107,698	328,184	4,444,364
Restricted assets	49,799,968	121,851	49,921,818	0
Capital assets, net of accumulated depreciation:				
Land	47,566,530	2,174,186	49,740,716	15,280,185
Construction in progress	184,186,032	79,891,055	264,077,087	9,487,925
Land improvements	5,621,066	4,854,463	10,475,529	2,198,220
Infrastructure	102,701,621	82,943,345	185,644,966	0
Buildings and improvements	60,985,854	10,615,618	71,601,472	233,493,330
Machinery and equipment	25,027,379	2,937,796	27,965,175	8,300,658
Vehicles	6,428,001	1,254,322	7,682,323	0
<b>Total assets</b>	<b>631,596,765</b>	<b>217,378,869</b>	<b>848,975,634</b>	<b>326,242,388</b>
<b>LIABILITIES:</b>				
Accounts payable	10,258,559	3,596,409	13,854,968	6,703,568
Accrued expenses	3,250,572	1,241,212	4,491,784	26,944,191
Net deferred bond issue premiums	5,409,362	1,063,360	6,472,722	0
Unearned revenue	32,868,408	321,284	33,189,692	2,652,220
Other liabilities	5,607,669	1,824,250	7,431,918	146,607
Noncurrent liabilities:				
Due within one year	30,660,505	6,412,636	37,073,141	500,000
Due in more than one year	268,204,716	78,817,029	347,021,745	53,548,548
<b>Total liabilities</b>	<b>356,259,790</b>	<b>93,276,180</b>	<b>449,535,970</b>	<b>90,495,134</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	277,293,967	109,407,466	386,701,433	268,760,318
Restricted for:				
Capital projects	15,293,609	0	15,293,609	0
Public housing	2,805,370	0	2,805,370	0
Public safety	1,139,387	0	1,139,387	0
Other purposes	1,773,402	0	1,773,402	0
Unrestricted	(22,968,759)	14,695,223	(8,273,536)	(33,013,064)
<b>Total net assets</b>	<b>\$ 275,336,975</b>	<b>\$ 124,102,689</b>	<b>\$ 399,439,664</b>	<b>\$ 235,747,254</b>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
Legislative	\$ 2,080,510	\$ 0	\$ 0	\$ 0
Judicial	11,545,466	79,083	821,383	0
Law	894,366	0	0	0
General government	9,410,137	2,222,486	9,650,345	0
Elections	706,269	0	0	0
Public safety	95,921,812	5,769,229	4,813,586	0
Planning and growth management	5,883,572	1,214,746	148,318	1,014,174
Health	8,697,964	38,362	3,687,974	0
Social services	1,848,488	0	0	0
Community services	19,108,464	1,605,410	11,024,979	11,137
Public facilities	14,534,181	809,628	0	3,531,125
Economic development	1,504,604	0	26,233	0
Education	167,950,725	1,732,026	0	0
Conservation of natural resources	611,869	0	0	0
Interest expense on long term debt	11,100,155	0	0	0
Total governmental activities	351,798,582	13,470,970	30,172,818	4,556,436
Business-type activities:				
Water and sewer	23,617,745	23,215,291	0	898,296
Inspection and review	3,062,354	2,344,701	0	0
County parks	980,132	832,015	0	0
Recreation	3,185,403	2,695,111	0	24,259
Solid waste	3,557,332	3,771,529	0	0
Environmental services	3,342,339	3,275,175	0	0
Vending machines	92,185	111,340	0	0
Total business-type activities	37,837,489	36,245,163	0	922,555
Total primary government	\$ 389,636,071	\$ 49,716,132	\$ 30,172,818	\$ 5,478,991
COMPONENT UNITS:				
Board of Education of Charles County, Maryland	372,946,517	7,140,446	78,620,833	21,231,135
Board of Library Trustees for Charles County	4,377,902	165,662	102,665	0
Total component units	\$ 377,324,419	\$ 7,306,108	\$ 78,723,498	\$ 21,231,135

General revenues:

Taxes:

- Local property taxes
- Other local
- Income taxes
- State shared

County and state appropriations

Other income

Interest and investment earnings

Donations - noncash transactions

Net transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

Net (Expenses)Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business- type Activities	Total	Component Units
\$ (2,080,510)	\$ 0	\$ (2,080,510)	\$ 0
(10,645,000)	0	(10,645,000)	0
(894,366)	0	(894,366)	0
2,462,694	0	2,462,694	0
(706,269)	0	(706,269)	0
(85,338,997)	0	(85,338,997)	0
(3,506,334)	0	(3,506,334)	0
(4,971,628)	0	(4,971,628)	0
(1,848,488)	0	(1,848,488)	0
(6,466,938)	0	(6,466,938)	0
(10,193,428)	0	(10,193,428)	0
(1,478,371)	0	(1,478,371)	0
(166,218,699)	0	(166,218,699)	0
(611,869)	0	(611,869)	0
(11,100,155)	0	(11,100,155)	0
(303,598,358)	0	(303,598,358)	0
0	495,842	495,842	0
0	(717,653)	(717,653)	0
0	(148,117)	(148,117)	0
0	(466,033)	(466,033)	0
0	214,197	214,197	0
0	(67,164)	(67,164)	0
0	19,155	19,155	0
0	(669,773)	(669,773)	0
(303,598,358)	(669,773)	(304,268,131)	0
0	0	0	(265,954,103)
0	0	0	(4,109,575)
0	0	0	(270,063,678)
181,396,190	0	181,396,190	0
15,240,771	0	15,240,771	0
71,838,853	0	71,838,853	0
8,077,769	0	8,077,769	0
0	0	0	251,847,637
4,209,764	454,841	4,664,605	170,914
5,471,445	157,074	5,628,519	439,154
10,024,646	5,523,787	15,548,433	0
498,348	(498,348)	0	0
296,757,785	5,637,354	302,395,140	252,457,705
(6,840,573)	4,967,581	(1,872,992)	(17,581,309)
282,177,548	119,135,108	401,312,656	253,328,563
\$ 275,336,975	\$ 124,102,689	\$ 399,439,664	\$ 235,747,254

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 9,851,025	\$ 0	\$ 0	\$ 2,613,599	\$ 12,464,624
Investments	90,092,500	0	0	0	90,092,500
Other receivables	30,647,799	2,367,247	85,324	2,572,657	35,673,027
Excise tax receivable	0	0	28,891,986	0	28,891,986
Taxes receivable	5,205,567	0	0	0	5,205,567
Due from other funds	0	32,768,317	0	6,215,810	38,984,127
Inventory	1,521,884	0	0	0	1,521,884
Other assets	220,200	0	0	285	220,485
Restricted assets	1,467,464	0	48,332,504	0	49,799,968
Total assets	<u>\$ 139,006,439</u>	<u>\$ 35,135,564</u>	<u>\$ 77,309,814</u>	<u>\$ 11,402,351</u>	<u>\$ 262,854,168</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Accounts payable	\$ 2,100,380	\$ 6,931,924	\$ 0	\$ 1,226,255	\$ 10,258,559
Accrued expenditures	2,686,051	0	0	0	2,686,051
Deferred revenue	21,948,423	2,427,870	77,219,545	1,551,579	103,147,417
Due to other funds	61,559,498	0	1,500,213	714,176	63,773,887
Other liabilities	1,921,749	0	0	2,212,357	4,134,106
Payable from restricted assets	1,473,563	0	0	0	1,473,563
Total liabilities	<u>91,689,664</u>	<u>9,359,794</u>	<u>78,719,758</u>	<u>5,704,367</u>	<u>185,473,583</u>
<b>Fund balances:</b>					
Reserved fund balance	2,851,067	22,612,742	0	5,718,158	31,181,967
Unreserved:					
Designated fund balance	42,087,099	3,163,028	0	0	45,250,127
Undesignated fund balance (deficit)	2,378,609	0	(1,409,944)	(20,174)	948,491
Sub-total Unreserved fund balance	<u>44,465,708</u>	<u>3,163,028</u>	<u>(1,409,944)</u>	<u>(20,174)</u>	<u>46,198,618</u>
Total fund balances (deficit)	<u>47,316,775</u>	<u>25,775,770</u>	<u>(1,409,944)</u>	<u>5,697,984</u>	<u>77,380,585</u>
Total liabilities & fund balances	<u>\$ 139,006,439</u>	<u>\$ 35,135,564</u>	<u>\$ 77,309,814</u>	<u>\$ 11,402,351</u>	<u>\$ 262,854,168</u>

See accompanying notes.



THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2009

Total Governmental Fund Balance	\$ 77,380,585
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	432,516,483
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(258,422,307)
Loans and notes payable	(84,702)
Capital leases payable	(5,332,288)
Landfill closure costs	(1,572,872)
Health insurance claims	(564,521)
Net pension obligation	(427,603)
Net OPEB obligation	(20,335,669)
Unearned revenue	70,279,009
Unamortized deferred charges	(5,409,364)
Compensated absences which are not due and payable in the current period and therefore are not reported in the funds	<u>(12,689,776)</u>
Net assets of Governmental Activities	<u>\$ 275,336,975</u>

See accompanying notes.



THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes - local property	\$ 169,977,096	\$ 0	\$ 0	\$ 11,419,094	\$ 181,396,190
Taxes - income	82,314,487	0	0	0	82,314,487
Taxes - other local	11,795,582	0	3,445,189	0	15,240,771
Taxes - state shared	8,077,769	0	0	0	8,077,769
Charges for services	8,884,332	709,500	0	3,877,138	13,470,970
Intergovernmental	3,328,143	14,009,269	0	17,391,842	34,729,254
Interest income	2,103,658	0	3,265,935	101,852	5,471,445
Other income	513,833	0	3,283,547	412,384	4,209,764
Total revenues	<u>286,994,900</u>	<u>14,718,769</u>	<u>9,994,671</u>	<u>33,202,310</u>	<u>344,910,650</u>
Expenditures:					
Current:					
Education	149,549,835	8,751,637	0	1,688,614	159,990,086
Public safety	72,468,906	5,354,125	0	14,491,172	92,314,203
Other general government	18,948,924	0	0	0	18,948,924
Public facilities	19,431,956	24,917,407	0	0	44,349,363
Financial administration	9,500,759	0	0	0	9,500,759
Community services	2,639,970	741,294	0	15,550,957	18,932,221
Judicial	3,124,867	7,072,578	0	1,298,233	11,495,678
Planning and growth management	3,624,371	1,764,458	0	463,196	5,852,025
Health	3,245,047	212,213	0	3,728,480	7,185,740
Economic development	1,446,160	0	0	26,233	1,472,393
Social services	1,046,858	0	0	801,630	1,848,488
Legislative	1,955,930	0	0	16,766	1,972,696
Law	880,247	0	0	0	880,247
Conservation of natural resources	602,244	0	0	0	602,244
Elections	706,011	0	0	0	706,011
Debt service:					
Principal	0	0	11,166,700	0	11,166,700
Interest	6,358,991	0	4,741,164	0	11,100,155
Total expenditures	<u>295,531,076</u>	<u>48,813,712</u>	<u>15,907,864</u>	<u>38,065,281</u>	<u>398,317,933</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,536,176)</u>	<u>(34,094,943)</u>	<u>(5,913,193)</u>	<u>(4,862,971)</u>	<u>(53,407,283)</u>
Other financing sources (uses):					
Issuance of debt	2,019,000	31,600,000	0	0	33,619,000
Premium on issuance of debt	1,504,644	0	0	0	1,504,644
Bond Proceeds from debt refunding	11,200,097	0	0	0	11,200,097
Defeased Bonds	(11,728,871)	0	0	0	(11,728,871)
Transfers in	1,815,192	560,670	5,072,600	3,069,011	10,517,473
Transfers out	(3,682,811)	(6,321,682)	0	(14,632)	(10,019,125)
Total other financing sources (uses)	<u>1,127,251</u>	<u>25,838,988</u>	<u>5,072,600</u>	<u>3,054,379</u>	<u>35,093,218</u>
Net change in fund balance	<u>(7,408,925)</u>	<u>(8,255,955)</u>	<u>(840,593)</u>	<u>(1,808,592)</u>	<u>(18,314,065)</u>
Fund balance (deficit) - beginning of year	<u>54,725,700</u>	<u>34,031,725</u>	<u>(569,351)</u>	<u>7,506,576</u>	<u>95,694,650</u>
Fund balance (deficit) - end of year	<u>\$ 47,316,775</u>	<u>\$ 25,775,770</u>	<u>\$ (1,409,944)</u>	<u>\$ 5,697,984</u>	<u>\$ 77,380,585</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

Net change in fund balance - Governmental Funds	\$ (18,314,065)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	44,870,988
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the cost of the assets disposed less accumulated depreciation.	(396,812)
Governmental funds do not report contributions from developers and other sources. However, in the government-wide statements contributions are reported as an increase to capital assets.	10,024,646
Governmental funds report the issuance of debt as income and the repayment of debt as expenditures. However, in the government-wide statements, debt and repayment of debt is reported as a reduction of a long-term liability.	(7,245,254)
Governmental funds report costs associated with the issuance of debt as revenues and expenditures. However, in the government-wide statements, these revenues and expenses are amortized in the statement of activities.	(975,920)
Governmental funds report revenues based on the availability of of the funds. However, in the government-wide statements revenues are recorded based on collectibility.	(10,475,634)
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Depreciation expense	(14,254,764)
Amortization of deferred charges	(376,143)
Compensated absences	(1,148,650)
Net pension obligation	15,880
Net OPEB obligation	(8,564,845)
Change in Net Assets of Governmental Activities	<u>\$ (6,840,573)</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009

	Business-type activities		
	Water and Sewer Fund	Other Proprietary Funds	Total
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 200	\$ 1,194,797	\$ 1,194,997
Other receivables	5,000,716	511,797	5,512,513
Notes receivable	339,740	0	339,740
Due from other funds	12,143,723	16,314,056	28,457,779
Inventory	584,777	56,748	641,525
Other current assets	1,660	106,038	107,698
Total current assets	<u>18,070,816</u>	<u>18,183,436</u>	<u>36,254,252</u>
Noncurrent assets:			
Net capital assets	160,142,267	24,528,518	184,670,785
Restricted assets	0	121,851	121,851
Total noncurrent assets	<u>160,142,267</u>	<u>24,650,369</u>	<u>184,792,636</u>
Total assets	<u>178,213,083</u>	<u>42,833,805</u>	<u>221,046,888</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	3,053,572	542,837	3,596,409
Accrued expenses	988,683	252,528	1,241,211
Due to other funds	0	3,668,019	3,668,019
Net deferred bond issue premiums	904,092	159,268	1,063,360
Unearned revenue	2,418	318,866	321,284
Current portion of long-term debt	5,601,934	810,702	6,412,636
Total current liabilities	<u>10,550,700</u>	<u>5,752,220</u>	<u>16,302,920</u>
Noncurrent liabilities:			
Other liabilities	1,702,399	121,851	1,824,250
Bonds payable	42,189,382	8,738,026	50,927,408
Long-term debt	13,161,456	5,308,510	18,469,966
Net pension obligation	99,153	36,942	136,095
Net OPEB obligation	2,459,803	918,832	3,378,635
Capital lease obligation	5,564,618	340,307	5,904,925
Total noncurrent liabilities	<u>65,176,811</u>	<u>15,464,468</u>	<u>80,641,279</u>
Total liabilities	<u>75,727,511</u>	<u>21,216,688</u>	<u>96,944,199</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	94,713,782	14,693,684	109,407,466
Unrestricted	<u>7,771,790</u>	<u>6,923,433</u>	<u>14,695,223</u>
Total net assets	<u>\$ 102,485,572</u>	<u>\$ 21,617,117</u>	<u>\$ 124,102,689</u>

See accompanying notes.



THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	Business-type activities		
	Water and Sewer Fund	Other Proprietary Funds	Total
Operating revenues:			
Charges for services	\$ 23,215,291	\$ 13,021,146	\$ 36,236,437
Other income	365,295	89,546	454,841
Total operating revenues	23,580,586	13,110,692	36,691,278
Operating expenses:			
Personnel services	11,023,669	6,298,141	17,321,810
Utilities	2,952,849	487,264	3,440,113
Repairs and maintenance	790,517	433,022	1,223,539
Insurance costs	342,494	57,417	399,911
Indirect costs	372,830	198,800	571,630
Supplies	1,398,478	804,877	2,203,355
Contract services	499,216	3,626,930	4,126,146
Other operating costs	(1,761,848)	444,419	(1,317,429)
Depreciation	5,741,349	1,473,262	7,214,611
Total operating expenses	21,359,554	13,824,132	35,183,686
Operating income (loss)	2,221,032	(713,440)	1,507,592
Nonoperating revenues (expenses):			
Interest income	39,677	117,397	157,074
Intergovernmental	898,296	24,259	922,555
Interest expense	(2,258,191)	(395,613)	(2,653,804)
Gain on disposal of capital assets	0	8,725	8,725
Total nonoperating revenues (losses)	(1,320,218)	(245,232)	(1,565,450)
Income before transfers	900,814	(958,672)	(57,858)
Donations - noncash transactions	5,523,787	0	5,523,787
Transfers in	25,247	76,205	101,452
Transfers out	0	(599,800)	(599,800)
Change in net assets	6,449,848	(1,482,267)	4,967,581
Net assets - beginning of year	96,035,724	23,099,384	119,135,108
Net assets - end of year	\$ 102,485,572	\$ 21,617,117	\$ 124,102,689

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	Business-type activities		
	Water and Sewer Fund	Other Proprietary Funds	Total
Cash flows from operating activities:			
Cash received from customers	\$ 22,928,360	\$ 13,080,349	\$ 36,008,709
Cash paid to suppliers	(4,256,761)	(6,309,357)	(10,566,118)
Cash paid to employees	(11,019,790)	(6,257,566)	(17,277,356)
Net cash provided by operating activities	<u>7,651,809</u>	<u>513,426</u>	<u>8,165,235</u>
Cash flows from investing activities:			
Interest received	39,677	117,397	157,074
Net cash provided by investing activities	<u>39,677</u>	<u>117,397</u>	<u>157,074</u>
Cash flows from noncapital financing activities:			
Intergovernmental	898,296	24,259	922,555
Transfers in (out)	25,247	(523,595)	(498,348)
Receipts from interfund loans	4,753,945	182,821	4,936,766
Repayments of interfund loans	0	1,553,840	1,553,840
Net cash used by (used in) noncapital financing activities	<u>5,677,488</u>	<u>1,237,325</u>	<u>6,914,813</u>
Cash flows from capital and related financing activities:			
Proceeds from issuance of bonds	8,739,235	550,000	9,289,235
Proceeds from new loan	(456,028)	0	(456,028)
Principal payments on bonds payable	(795,640)	(687,521)	(1,483,161)
Principal payments on capital lease obligations	(6,994,148)	(83,528)	(7,077,676)
Principal payments on loans	(532,378)	(29,802)	(562,180)
Interest paid	(2,258,191)	(395,612)	(2,653,803)
Proceeds from disposal of assets	0	8,725	8,725
Cash paid for capital expenses	(11,071,824)	(288,914)	(11,360,738)
Net cash used in capital and related financing activities	<u>(13,368,974)</u>	<u>(926,652)</u>	<u>(14,295,626)</u>
Net increase in cash and cash equivalents	0	941,496	941,496
Cash and cash equivalents - beginning of year	200	253,301	253,501
Cash and cash equivalents - end of year	<u>\$ 200</u>	<u>\$ 1,194,797</u>	<u>\$ 1,194,997</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF CASH FLOWS (continued)  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	Business-type activities		
	Water and Sewer Fund	Other Proprietary Funds	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 2,221,032	\$ (713,440)	\$ 1,507,592
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	5,741,349	1,473,262	7,214,611
Increase (decrease) in compensation-related liabilities included in long-term debt	29,389	0	29,389
Increase in landfill closure liabilities included in long-term debt	0	0	0
(Increase) decrease in other receivables	(698,223)	(14,811)	(713,034)
(Increase) decrease in notes receivable	50,079	0	50,079
(Increase) decrease in inventories	59,395	(6,573)	52,822
(Increase) decrease in other current assets	13,440	(80,003)	(66,563)
(Increase) decrease in restricted assets	0	(4,480)	(4,480)
(Increase) decrease in deferred bond issue costs	(34,687)	634	(34,053)
Increase (decrease) in accounts payable	(743,569)	(561,157)	(1,304,726)
Increase (decrease) in accrued expenses	(25,509)	40,696	15,187
Increase (decrease) in other liabilities	34,687	3,731	38,418
Increase (decrease) in Net Pension Obligation	(2,460)	(4,138)	(6,598)
Increase (decrease) in Net OPEB Obligation	1,010,967	395,247	1,406,214
Increase (decrease) in deferred revenue	(4,082)	(15,542)	(19,624)
Net cash provided by operating activities	<u>\$ 7,651,809</u>	<u>\$ 513,426</u>	<u>\$ 8,165,235</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Water and Sewer Fund	Other Proprietary Funds	Total
Borrowing under capital lease	591,900	389,100	981,000
Non-cash donations - developers	5,523,787	0	5,523,787

See accompanying notes.



THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2009

		<u>Pension and OPEB Trust Funds</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$	3,321,472
Interest receivable		<u>124,268</u>
Total current assets		<u>3,445,740</u>
Investments at fair value:		
Bond mutual funds		26,148,856
Equity securities		<u>143,475,165</u>
Total investments		<u>169,624,021</u>
Total assets		173,069,761
LIABILITIES:		
Accrued expenses		<u>(38,525)</u>
NET ASSETS:		
Held in trust for pension benefits	\$	<u><u>173,031,236</u></u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2009

	Pension and OPEB Trust Funds
	<u>                    </u>
ADDITIONS:	
Contributions:	
Employer contributions	\$      20,538,636
Employee contributions	4,236,386
Total contributions	<u>         24,775,022</u>
Investment earnings:	
Interest	3,132,430
Net decrease in fair value of investments	<u>         (29,086,914)</u>
Total investment earnings	(25,954,484)
Less investment expenses	<u>          (627,532)</u>
Net investment earnings	<u>         (26,582,016)</u>
Total additions	<u>         (1,806,994)</u>
DEDUCTIONS:	
Benefits paid to members	6,986,554
Administrative costs	<u>          714,686</u>
Total deductions	<u>          7,701,240</u>
Changes in net assets	(9,508,234)
Net assets - beginning of year	<u>         182,539,470</u>
Net assets - end of year	<u><u>      \$     173,031,236</u></u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF NET ASSETS  
 COMPONENT UNITS  
 JUNE 30, 2009

	Board of Education of Charles County, Maryland	Board of Library Trustees for Charles County	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 45,221,267	\$ 40,600	\$ 45,261,867
Short-term investments	0	474,784	474,784
Accounts receivable	6,392,852	42,734	6,435,586
Inventory	865,469	0	865,469
Other assets	4,399,810	44,554	4,444,364
Capital assets			
Land	15,280,185	0	15,280,185
Construction in progress	9,487,925	0	9,487,925
Land improvements	2,198,220	0	2,198,220
Buildings	233,493,330	0	233,493,330
Machinery and equipment	7,712,016	588,642	8,300,658
Total assets	<u>325,051,074</u>	<u>1,191,314</u>	<u>326,242,388</u>
<b>LIABILITIES:</b>			
Accounts payable	6,695,037	8,531	6,703,568
Accrued expenses	26,626,915	317,276	26,944,191
Unearned revenue	2,651,476	744	2,652,220
Other liabilities	146,607	0	146,607
Non-current liabilities:			
Due within one year	500,000	0	500,000
Due in more than one year	52,861,354	687,194	53,548,548
Total liabilities	<u>89,481,389</u>	<u>1,013,745</u>	<u>90,495,134</u>
Invested in capital assets, net of related debt	268,171,676	588,642	268,760,318
Unrestricted assets	(32,601,991)	(411,073)	(33,013,064)
Total net assets	<u>\$ 235,569,685</u>	<u>\$ 177,569</u>	<u>\$ 235,747,254</u>

See accompanying notes.



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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF ACTIVITIES  
 COMPONENT UNITS  
 YEAR ENDED JUNE 30, 2009

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs	Expenses			
COMPONENT UNITS:				
Board of Education of Charles County, MD	\$ 372,946,517	\$ 7,140,446	\$ 78,620,833	\$ 21,231,135
Board of Library Trustees for Charles County	4,377,902	165,662	102,665	0
Total component units	\$ 377,324,419	\$ 7,306,108	\$ 78,723,498	\$ 21,231,135

General revenues:

County and state appropriations  
 Other income  
 Interest and investment earnings  
 Miscellaneous  
 Total general revenues and transfers

Change in net assets

Net assets - beginning of the year

Net assets - end of year

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Board of Education of Charles County, Maryland	Board of Library Trustees for Charles County	Total
\$ (265,954,103)	\$ 0	\$ (265,954,103)
0	(4,109,575)	(4,109,575)
(265,954,103)	(4,109,575)	(270,063,678)
248,103,727	3,743,910	251,847,637
0	0	0
428,327	10,827	439,154
143,383	52,195	170,914
248,675,437	3,806,932	252,457,705
(17,278,666)	(302,643)	(17,581,309)
252,848,351	480,212	253,328,563
\$ 235,569,685	\$ 177,569	\$ 235,747,254

See accompanying notes.



THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
NOTES TO THE FINANCIAL STATEMENTS  
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**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Charles County, Maryland (the County) was created by order of council on May 10, 1658. The County operates under the Maryland Code Home Rule form of Government. Both the executive and the legislative functions of the County are vested in the elected five-member Board of Commissioners of Charles County, Maryland (County Commissioners). The County provides various services to its citizens including public safety, health and social services, parks and recreation, public transportation, public works and general administrative services. In addition, the County owns and operates a water and sewer system, a landfill and recycling center, a public golf course, and various recreational centers, including the latest addition this past fiscal year, the Southern Maryland Baseball and Entertainment Complex.

The County's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

In June 1999, the Governmental Accounting Standards Board unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34). Some of the significant changes in the Statement include (1) the addition of a Management's Discussion and Analysis (MD&A) section providing an analysis of the County's overall financial position and results of operations; (2) the addition of financial statements prepared using full accrual accounting for all of the County's activities, including infrastructure; and (3) a change in the fund financial statements to focus on the major funds. These and other changes are reflected in the accompanying financial statements (including Notes to the Financial Statements).

**A. Reporting Entity**

The financial statements of the reporting entity include those of Charles County Government (the primary government) and its component units. Component units are legally separate entities that are included in the County's reporting entity because of the significance of their operating or financial relationships with the County. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB Statement 14 *The Financial Reporting Entity* and modified by GASB Statement 39 *Determining Whether Certain Organizations are Component Units*, include whether:

- the organization is legally separate
- the County Commissioners appoint a voting majority of the organization's board
- the County Commissioners have the ability to impose their will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- the organization is fiscally dependent on the County

Based on the application of these criteria, the following organizations are considered component units of Charles County Government. Their financial data is discretely presented in a separate column in the government-wide financial statements. A Combining Statement of Net Assets and a Combining Statement of Activities for the component units are also provided. All discretely presented component units have a June 30 year end.



**The Board of Education of Charles County, Maryland (the Board of Education)** is a legally separate organization created by Maryland state law to operate the County's public school system. Management of the County's schools is under the control of the Board of Education, with the final decision-making authority held by the State Board of Education. The members of the Board of Education are elected by the residents of Charles County. The Board of Education is financially accountable to the Charles County Government because the Board of Education's annual budget is subject to the approval of the County Commissioners. The Board of Education is presented as a governmental fund type. The County provided \$138,145,100 in operating funds and \$8,930,613 in capital funding to the Board of Education during Fiscal Year 2009.

**The Board of Library Trustees for Charles County, Maryland (the Library)** is a legally separate entity under Maryland state law. The Library's Trustees are appointed by the Governor of the State of Maryland and oversee the day-to-day management of the Library. The Library's budget is subject to the approval of the County Commissioners. The Library is presented as a governmental fund type. The County provided \$1,991,900 in operating funds to the Library during Fiscal Year 2009.

Complete financial statements of the discretely presented component units can be obtained directly from their respective administrative offices:

Board of Education of Charles County, Maryland  
Assistant Superintendent of Finance  
Business Administration and Technology  
P.O. Box 2770  
La Plata, MD 20646

Board of Library Trustees for Charles County, Maryland  
2 Garrett Avenue  
La Plata, MD 20646

## **B. Basic Financial Statements**

The County's basic financial statements include government-wide financial statements (reporting on the County as a whole), fund financial statements (reporting on the County as a whole with an emphasis on the most significant funds), and fiduciary financial statements (reporting on the County's pension funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities are normally supported by taxes and intergovernmental revenues.

The County's public safety, public transportation, health and social services, some parks and recreation activities, public works and general administrative services are classified as governmental activities. Business-type activities rely significantly on fees and charges for support. The County's water and sewer operation, solid waste management operations, environmental services (recycling), vending commissions, white plains golf course, recreation and development services are classified as business-type activities.

### **Government-wide Statements**

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. The government-wide financial statements focus more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported using the economic resources measurement focus and the accrual basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. Net assets should be reported as restricted when constraints placed on the net asset's use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or



regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use. When both restricted and unrestricted resources are available for use, the County utilizes restricted resources to finance qualifying activities first, then unrestricted resources as they are needed.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property tax, income tax, certain intergovernmental revenues, fines, permits, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and capital grants. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Program revenues must be directly associated with the function of a business-type activity. The operating grants column includes operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenues (property tax, income tax, intergovernmental revenues, interest income, etc.), which are not properly included among program revenues.

The County has an indirect cost allocation plan authorized under OMB Circular A-87, which it uses (when applicable and allowed) to charge costs to special revenue (grant) programs and proprietary funds. The federal guidelines state that indirect costs are eligible for reimbursement provided they are necessary for the efficient conduct of the grant or contract and provided specific costs identified are not restricted by federal law or regulations. As required, the County received an annual central services allocation plan and indirect cost rate proposal as prepared for the past fiscal year by Cost Plans Plus, LLC. As a result, the County uses that plan in developing cost-based fees, rates, user charges and overhead recoveries from other taxing entities, authorities and enterprise funds.

### **Fund Financial Statements**

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB 34 sets forth minimum criteria for the determination of major funds. The criteria used by the County is the percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise funds combined. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds by category are summarized into a single column.

#### **1. Governmental Funds:**

The measurement focus of the governmental fund financial statements is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon change in fund balance. The following is a description of the governmental funds of the County:

- a. **General Fund** is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund.
- b. **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue Funds of the county are non-major funds.

- c. **Debt Service Fund** is used to account for the accumulation of funds for the periodic payment of principal and interest on long-term debt. The Debt Service Fund is a major fund.
- d. **Capital Projects Fund** is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Capital Projects Fund is a major fund.

## 2. Proprietary Funds:

The focus of proprietary fund measurement is based upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the County:

**Enterprise Funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to cover similar costs. Only the Water and Sewer Fund is considered a major fund and is presented separately. All other enterprise funds are non-major and their data is combined into a single aggregated presentation.

## 3. Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus for fiduciary funds is on net assets and changes in net assets, and accounting principles used are similar to proprietary funds.

The County's pension trust funds account for the retirement benefits for the Charles County Maryland Sheriff's Office Retirement Plan, the Charles County Pension Plan, and the OPEB Trust plan. Since, by definition, these assets are held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. They are presented in the fiduciary fund financial statements.

## C. Basis of Accounting and Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The measurement focus identifies which transactions should be recorded.

### Basis of Accounting

- a. **Accrual Basis** - Both governmental and business-type activities are presented using the accrual basis of accounting in the government-wide financial statements and the proprietary and fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met



- b. **Modified Accrual Basis** - The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means knowing or able to reasonably estimate the amount. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end. Property taxes, income taxes, highway user taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures (including capital outlay) are recorded when the related liability is incurred. However, debt service expenditures (principal and interest), as well as expenditures related to compensated absences and claims and judgments, are recorded only when due.

### **Measurement Focus**

In the government-wide financial statements, both governmental and business-type activities are presented using the economic resources measurement focus as defined below in item b.

In the governmental fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

### **D. Financial Statement Amounts**

#### **1. Cash and Cash Equivalents:**

The County has defined cash and cash equivalents to include cash on hand, petty cash, demand deposits, and short-term securities with an original maturity of three months or less at time of purchase.

#### **2. Investments:**

Investments held by the County, including the pension funds, are stated at fair value. Fair value is based on quoted market prices at fiscal year-end or best available estimate. All investments not required to be reported at fair value are stated at cost or amortized cost.

#### **3. Receivables:**

All trade, excise and property tax receivables are reported at fair value. Estimated unbilled revenues from the Water and Sewer Fund are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billings during the month following the close of the fiscal year. Taxes, special assessments, utility charges and accrued interest are deemed collectible in full. Property taxes attach as an enforceable lien when levied on July 1 of each fiscal year. The taxes are payable without interest by September 30.

All property tax revenue is recognized in compliance with NCGAI-3 (Revenue Recognition-Property Taxes), which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period. Revenue relating to receivables which have not been collected within sixty days after the fiscal year-end has been reclassified from property tax revenues to deferred revenues.

#### **4. Inter-fund Transactions:**

The following is a description of the basic types of inter-fund transactions made during the year and related accounting policies:

- a. Transactions for services rendered or facilities provided - these transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.
- b. Transactions to reimburse a fund for expenditures made by it or for the benefit of another fund - these transactions are recorded as expenditures in the disbursing fund and as reductions of expenditures in the receiving fund.
- c. Transactions to shift revenues or contributions from the fund budgeted to receive them to the fund budgeted to expend them - these transactions are recorded as transfers in and out.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due (to) from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances" and are eliminated.

#### **5. Inventories:**

Inventories of the County, consisting of expendable supplies held for the County's use, are valued at the Average Cost Method. Inventories in all funds are initially recorded in the inventory account and recognized as expenditures/expenses when consumed.

#### **6. Prepaid Items:**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the allocation method.

#### **7. Restricted Assets:**

Cash deposits are held for construction escrow bonds, inmates at the Detention Center, a County Attorney escrow, a State's Attorney Restitution bank account, and various lease deposits held are all restricted and being held in Governmental Funds. In addition, certain debt proceeds and certain resources set aside for their repayment in the Debt Service Fund, are classified as restricted assets on the balance sheet because their use is limited and they are maintained in separate accounts. In the Solid Waste Management fund, bonds are held for commercial credit customers of the landfill operation in a fully refundable interest-bearing bank account.

#### **8. Capital Assets:**

Capital assets are reported in applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an original, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Both the Board of Education and the Library (component units) define capital assets as assets having an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. For the Library, books and audio visual materials with a useful life greater than one year are capitalized and are valued and depreciated using the group method. For the primary government and component units, donated capital assets are recorded



at estimated fair market value at the date of donation. Normal maintenance and repair costs that do not add to the value of the assets or materially extend assets' lives are not capitalized by the County or the component units.

Significant outlays for capital assets and improvements are capitalized as Construction in Progress while projects are being constructed. Projects are not depreciated until completed or substantially completed and available for use.

Property, plant and equipment of the primary government and the component units are depreciated using the straight line method over the following estimated useful lives:

<u>Charles County Government</u>	
Buildings	30 years
Improvements	10-30 years
Water and sewer systems	30-50 years
Infrastructure	10-50 years
Machinery and equipment	5-10 years
Vehicles	5 years
Computers & software	3-5 years
Other infrastructure	10-50 years
<u>The Board of Education</u>	
Buildings and improvements	30 years
Land improvements	10 years
Furniture and equipment	5 - 10 years
<u>The Library</u>	
Leasehold improvements	15 - 39 years
Furniture and equipment	7 years
Vehicles & Computer Equipment	5 years
Books and audio visual materials	3 years

#### **9. Net Assets / Fund Equity:**

In the government-wide financial statements, equity is classified as net assets and is displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

In the fund financial statements, equity is classified as fund balance for governmental funds. Further classifications are as follows:

- a. Reserved fund balance - this represents amounts that have been legally restricted by outside parties for specific purposes and are not available for appropriation.

- b. Unreserved fund balance - represents amounts available for budgeting future operations.
  - 1. Designated fund balance - represents tentative management plans for utilizing resources in the subsequent year's budget for financing specific activities and to fund deficits in other funds. These designations are subject to change.
  - 2. Undesignated fund balance - represents the remaining fund balance that is available for use.

Equity in the proprietary fund statements is classified the same as in the government-wide statements.

#### **10. Compensated Absences:**

Employees of the County earn annual leave, compensatory time and sick leave in varying amounts. It is the County's policy to permit employees to accumulate earned but unused annual leave, compensatory time, and sick pay benefits. Upon separation of service with the County, noncritical employees are reimbursed for accumulated annual leave up to a maximum of 45 days and accumulated compensatory time up to 240 hours. Sworn Officers, Corrections Officers, and certain critical employees of the Sheriff's Office are reimbursed for accumulated annual leave up to a maximum of 720 hours. Sworn Officers can be reimbursed up to 480 hours of compensatory time. There is no liability recorded for unpaid accumulated sick leave since the County does not have a policy to pay any of these amounts when employees separate from service.

The County accrues the value of the accumulated unpaid annual leave, compensatory time and associated employee-related costs when incurred in the government-wide and proprietary fund financial statements. Only the amount of unused annual leave and compensatory pay that is expected to be liquidated with expendable available financial resources (amount estimated to be used within 60 days of year-end) is recorded as an expenditure and a liability in the governmental fund that will pay it. The noncurrent portion for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

#### **11. Long-term Obligations:**

In the government-wide financial statements and proprietary fund-types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund-types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Capital leases are recorded in the same manner.

#### **12. Revenues, Expenditures, and Expenses:**

Property taxes and interest assessed in the current fiscal period are accrued and are recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be earned and therefore recognizable as revenue of the current period.

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures are classified by character.



In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing goods in connection with the proprietary fund's principal operations. Operating revenues include user fees and charges. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **13. Accounting Estimates:**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

## **NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Budgets and Budgetary Accounting**

Formal budgetary accounting is employed as a management control for all funds of the County, except the two pension trust funds. However, a legal budget is adopted only for the General Fund. Thus, the budgetary financial statement included in this report as required supplementary information does not include Special Revenue Funds, Debt Service Funds, Capital Projects Fund, Proprietary Funds or Fiduciary Funds. The basis for budgeting is the modified accrual basis. All annual appropriations lapse at fiscal year-end. Project-length budgets are adopted for the Capital Projects Fund which is projected in five year increments.

The legal level of budgetary control (that is, the level at which expenditures cannot exceed budgeted appropriations) is at the program level. However, with proper approval by the County Commissioners, budget transfers can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments made by the County Commissioners. There were no material violations of the annual appropriated budget for the fiscal year ended June 30, 2009.

### **B. Deficit Fund Equity**

The Debt Service Fund had a deficit fund balance of \$1,409,944 as of June 30, 2009. The fund incurred a net operating loss in the current fiscal year due to the timing of the County's bond issue in March 2009, the current year's debt payment activity, and the related note repayment schedules for the Nursing Home, Hospital, and American Communities Property Trust (ACPT), as adjusted by any new debt issues.

The Housing Special Loan fund had a deficit fund balance of \$20,174. The deficit balance is the temporary result of the associated costs to evaluate and process the applications for the loan programs that the County will pass along in State grant funding in the subsequent fiscal year.

The Recreation Fund had a deficit fund balance of \$1,312,666 as of June 30, 2009. The deficit balance is the result of operations from an indoor recreation complex. This operation was acquired by the County in May 2006. A contract was awarded to Rink Management Services for the operation of this facility and commenced on July 5, 2008. As a result of their first year managing the facility, significant improvements have been achieved in operations, but the annual debt service requirements are exceeding the operating results thus far.

The Golf Course Fund had a deficit fund balance of \$75,855 as of June 30, 2009. This is the cumulative result of recording the County's OPEB liability share to the operation at year end.

### NOTE 3. DETAILED NOTES ON ALL FUNDS

#### A. Cash Deposits and Investments

Article 95, Section 22 of the Annotated Code of Maryland states that local governments are authorized to invest in the instruments specified in the State Finance and Procurement Article, Section 6-222 of the Code. In addition, Article 95, Section 22 requires that local government deposits with financial institutions be fully collateralized and that the collateral be of types specified in the State Finance and Procurement Article, Section 6-202. The County Treasurer is charged with the responsibility for selecting depositories and investing idle funds as directed by the State and County Codes. The County Treasurer is further restricted as to the types of deposits and investments in accordance with the County's investment policy. Depository institutions must be Maryland banks and must be approved for use by the County Commissioners.

##### Cash Deposits

At year-end, the carrying amount of the County's deposits was \$10,203,081 and the bank balances were \$11,185,646. Of the bank balance, \$7,931,403 was covered by Federal depository insurance and \$3,254,003 was collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.

At year-end, the carrying amount of the deposits of the Board of Education, a discretely presented component unit, was \$13,262,592 and the bank balance was \$20,983,370. Of the bank balance, \$11,728,750 was covered by Federal depository insurance and \$9,254,619 was covered by collateral held in either the pledging bank's trust department or by the pledging bank's agent in the Board's name.

At year-end, the carrying amount of the deposits of the Library, a discretely presented component unit, was \$39,770 and the bank balance was \$39,067. The bank balance was covered by Federal depository insurance.

##### Investments

Statutes authorize the County Treasurer to invest in short-term U.S. government securities or repurchase agreements fully secured by the United States government if the funds are not needed for immediate disbursement. The stated maturities of the investments may not exceed 365 days. Statutes also authorize the Treasurer to invest in the local government investment pool established by state law. Investments are subject to approval of the County Commissioners as to the amount available for investment and the acceptable securities or financial institutions used.

At year-end, the County's cash and investment balances were as follows:

	Total Governmental Funds	Total Fiduciary Funds	Total Enterprise Funds	Total
Cash on hand	\$ 8,932,088	\$ 0	\$ 1,316,848	\$10,248,936
U.S government securities				
Treasuries	0	0	0	0
Agencies	15,976,015	0	0	15,976,015
Repurchase agreements (sweep)	5,000,000	0	0	5,000,000
Money market	933,111	3,321,472	0	4,254,583
Certificates of deposit	24,000,000	0	0	24,000,000
Maryland local government pool	49,183,374	0	0	49,183,374
Bond mutual funds	0	26,148,856	0	26,148,856
Equity securities	0	143,475,165	0	143,475,165
Total cash and investments	<u>\$ 104,024,588</u>	<u>\$172,945,493</u>	<u>\$ 1,316,848</u>	<u>\$278,286,929</u>



At year-end, the Board of Education's cash and investment balances were as follows:

Cash on hand and deposits	\$1,685,016
Repurchase agreements	8,500,012
Maryland local government pool	35,036,239
Total cash and investments	<u>\$ 45,221,267</u>

At year-end, the Library's cash and investment balances were as follows:

Cash on hand and deposits	\$ 40,600
Maryland local government pool	474,784
Total cash and investments	<u>\$ 515,384</u>

Investments in the Maryland Local Government Investment Pool (MLGIP) are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. The MLGIP maintains an AAAM credit quality rating from Standard and Poor's. The MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of the MLGIP shares.

Investments made by the County under Agencies consists of several instruments backed by either the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation organizations, and are held in a custodial account along with Treasuries. These agency investments are implicitly guaranteed by the U.S. government and carry a credit rating of AAA.

#### **Interest Rate Risk**

As a means of limiting its exposure to fair value losses stemming from rising interest rates, the County's investment policy prohibits the investment of operating funds in securities maturing more than 365 days from the date of purchase.

#### **Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, or not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent, but not in the government's name. The County's policy relating to credit risk of investments require that securities underlying all certificates of deposit, repurchase agreements and reverse repurchase agreements have a market value of at least 102 percent of the cost plus accrued interest of the investment. County policies also require that a third party custodian hold investment securities and the collateral underlying all investments, in the governments' name. The County's Treasurer recognized investment diversification as an important safeguard of County assets. Investment instruments, investment maturities, and financial institutions doing business with the County shall be diversified in such a

way to insure that there is no concentration of risk in any of these categories. These diversification standards, as outlined in the County's Joint Statement of Investment Policies, are applied at the time of each investment. At June 30, 2009, the County's investments were not exposed to custodial credit risk.

## B. Receivables

Receivables as of year-end for the County's individual major funds and non-major funds in the aggregate were as follows:

	General	Capital Projects	Debt Service	Water and Sewer Fund	Non-major Funds	Total
Receivables:						
Interest	\$ 117,296	\$ 0	\$ 0	\$ 7,533	\$ 0	\$ 124,829
Taxes	25,276,736	0	28,891,986	0	0	54,168,722
Accounts	10,387,822	2,367,247	76,243	5,017,053	2,494,943	20,343,308
Special assessments	0	0	9,080	315,870	0	324,950
Intergovernmental	71,513	0	0	0	589,510	661,023
Total receivables	\$ 35,853,367	\$ 2,367,247	\$ 28,977,309	\$ 5,340,456	\$ 3,302,108	\$75,622,834

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	Unearned	Unavailable	Total
Delinquent property taxes receivable (General Fund)	\$ 0	\$ 1,885,990	\$ 1,885,990
Deferred property taxes receivable (Debt Service)	0	28,877,959	28,877,959
Deferred IncomeTax Reserve	0	19,976,876	19,976,876
Agricultural preservation taxes	1,048,969	0	1,048,969
Special assessments not yet due	0	9,081	9,081
School construction impact fees	2,427,870	0	2,427,870
Grant draw-downs prior to meeting all eligibility requirements	488,628	0	488,628
Other unearned revenue	99,540	0	99,540
Loans receivable (Debt Service Fund)	0	48,332,504	48,332,504
Total unearned revenue for governmental funds	\$ 4,057,349	\$ 99,082,410	\$ 103,147,417



### C. Property Taxes Receivable

The County levies a property tax each July 1 on the assessed value of all taxable real property located within the County on that date. Assessed values are established by the Maryland Department of Assessments and Taxation at assessed market value. A reassessment of all property is required to be completed every three years. The rates of the levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and only after public hearings. The real property tax rate during the year ended June 30, 2009 remained constant at \$0.962 per \$100 of assessed value. Property taxes attach as an enforceable lien on the property when levied on July 1 of each year. The taxes are payable without interest by September 30.

Revenue relating to property taxes receivable, which have not been collected within sixty days after year-end, have been reclassified from property tax revenues to deferred revenues in governmental funds.

### D. Notes Receivable

During the fiscal year, the County entered into its sixth financing agreement with American Community Property Trust (ACPT) in the amount of \$2,000,000 to finance certain road, water and sewer projects within the County. The note receivable was funded through issuance of \$2,000,000 taxable general obligation bonds.

The following is a schedule of the notes receivable balances:

<u>Loan &amp; Year</u>	<u>Total Borrowed</u>	<u>Term &amp; Rate</u>	<u>Principal Balance 6/30/09</u>
Nursing Home 1992	\$ 2,300,000	15 years, 5%-8.375%	\$ 0
Nursing Home 1995	200,000	15 years, 5.05%-7%	13,343
Nursing Home 2000	500,000	15 years, 3.13%	191,666
Nursing Home 2001	250,000	15 years, 2.55%	116,667
Nursing Home 2002	100,000	15 years, 2.83%	53,333
Nursing Home 2003	150,000	15 years, 3.28%	87,500
Nursing Home 2005	100,000	15 years, 2.67%	71,111
Nursing Home 2006	400,000	15 years, 2.24%	311,111
Subtotal: Nursing Home	4,000,000		844,731
Hospital 2004	15,000,000	15 years, 3.04831%	12,304,534
ACPT 2004	8,000,000	15 years, 4%-5%	5,855,000
ACPT 2005	6,000,000	15 years, 5%-5.125%	4,670,000
ACPT 2006	10,000,000	15 years, 5.125%-8%	8,411,250
ACPT 2007	3,000,000	15 years, 5.25%-5.75%	2,682,500
ACPT 2008	3,000,000	15 years, 4.90%-5.25%	2,808,000
ACPT 2009	2,000,000	15 years, 4%-5.375%	1,961,667
So. MD Baseball LLC	9,248,200	15 years, 4.90%-5.25%	8,015,106
CSM	1,000,000	15 years, 3.67%	779,717
Total notes receivable	\$ 61,248,200		\$ 48,332,505

A first lien security interest on all the Hospital's receipts secures their loan. A first lien security interest on the Nursing Home building and facilities secures the Nursing Home loans. ACPT's loan is collateralized by one letter of credit held by Citibank, N.A. and three others held by Deutsche Bank. These restricted assets are recorded in the Debt Service Fund. Principal and interest payments on the related bonds from these restricted resources are also accounted for in the same fund.

The future minimum note payments receivable for the year ended June 30, 2009 are as follows:

	Nursing Home	Hospital	ACPT	So. MD Baseball LLC	CSM	Total
2010	\$ 159,123	\$ 1,247,234	\$ 3,100,963	\$ 894,000	\$ 86,791	\$ 5,488,111
2011	139,156	1,247,234	3,084,573	894,000	86,791	5,451,754
2012	139,156	1,247,234	3,085,642	894,000	86,791	5,452,823
2013	139,156	1,247,234	3,079,876	894,000	86,792	5,447,057
2014	139,156	1,247,233	3,075,650	894,000	86,792	5,442,831
2015 – 2019	383,796	6,236,169	15,348,459	4,470,000	433,956	26,872,380
2020 - 2024	65,626	2,182,541	4,929,432	2,682,000	79,579	9,939,178
Subtotal	1,165,168	14,654,878	35,704,595	11,622,000	947,491	64,094,133
Less: interest	(320,437)	(2,350,344)	(9,316,178)	(3,606,894)	(167,774)	(15,761,628)
Total future minimum note payments receivable	\$ 844,731	\$ 12,304,534	\$ 26,388,417	\$ 8,015,106	\$ 779,717	\$ 48,332,505



## E. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

### Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 45,876,869	\$ 1,689,661	\$ 0	\$ 47,566,530
Construction in progress	204,993,310	41,248,275	(62,055,553)	184,186,032
Total capital assets, not depreciated	250,870,179	42,937,936	(62,055,553)	231,752,562
Capital assets, depreciated:				
Land improvements	6,480,905	1,129,317	(228,301)	7,381,922
Infrastructure	234,223,431	16,476,366	(288,768)	250,411,028
Buildings and improvements	81,089,755	31,943,756	0	113,033,511
Machinery and equipment	15,298,092	22,789,882	(63,609)	38,024,365
Vehicles	18,804,847	1,673,928	(800,978)	19,677,797
Total capital assets, depreciated	355,897,030	74,013,249	(1,381,656)	428,528,623
Less: accumulated depreciation for:				
Land improvements	(1,458,865)	(427,556)	125,565	(1,760,855)
Infrastructure	(140,930,109)	(6,784,306)	5,007	(147,709,407)
Buildings and improvements	(49,900,041)	(2,147,615)	0	(52,047,657)
Machinery and equipment	(10,514,863)	(2,545,732)	63,609	(12,996,986)
Vehicles	(11,617,448)	(2,349,555)	717,207	(13,249,796)
Total accumulated depreciation	(214,421,326)	(14,254,764)	911,388	(227,764,702)
Total capital assets, depreciated, net	141,475,704	59,685,029	(396,812)	200,763,921
Governmental activities capital assets, net	\$ 392,345,883	\$ 102,622,965	\$ (62,452,365)	\$ 432,516,483

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated:				
Land	\$ 1,982,631	\$ 191,555	\$ 0	\$ 2,174,186
Construction in progress	68,606,801	11,646,832	(362,578)	79,891,055
Total capital assets, not depreciated	<u>70,589,432</u>	<u>11,838,387</u>	<u>(362,578)</u>	<u>82,065,241</u>
Capital assets, depreciated:				
Land improvements	9,770,801	67,097	0	9,837,898
Infrastructure	179,840,430	5,818,066	0	185,658,496
Buildings and improvements	13,910,148	26,781	0	13,936,929
Machinery and equipment	9,233,694	409,068	(70,154)	9,572,608
Vehicles	4,601,220	321,656	(150,776)	4,772,100
Total capital assets, depreciated	<u>217,356,293</u>	<u>6,642,668</u>	<u>(220,930)</u>	<u>223,778,031</u>
Less: accumulated depreciation for:				
Land improvements	(4,716,543)	(266,893)	0	(4,983,436)
Infrastructure	(97,584,217)	(5,130,935)	0	(102,715,152)
Buildings and improvements	(2,842,975)	(1,072,364)	594,028	(3,321,311)
Machinery and equipment	(5,829,887)	(867,714)	62,789	(6,634,812)
Vehicles	(3,164,360)	(497,593)	144,176	(3,517,777)
Total accumulated depreciation	<u>(114,137,982)</u>	<u>(7,835,499)</u>	<u>800,993</u>	<u>(121,172,488)</u>
Total capital assets, depreciated, net	<u>103,218,311</u>	<u>(1,192,831)</u>	<u>580,063</u>	<u>102,605,543</u>
Business-type activities capital assets, net	<u>\$ 173,807,743</u>	<u>\$ 10,645,556</u>	<u>\$ 217,485</u>	<u>\$ 184,670,784</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

General Government	\$ 50,935
Public Safety	4,054,110
Legislative	155,003
Judicial	62,498
Financial Administration	155,283
Law	2,751
Planning and Growth	25,352
Health	176,875
Community Services	544,905
Public Facilities	8,929,517
Education	97,535
Total depreciation expense - Governmental Activities	<u>\$ 14,254,764</u>

**Business-type Activities:**

Water and Sewer	\$5,741,349
Solid Waste	724,511
Recycling/Environmental Service	312,077
Parks	67,736
Recreation	334,545
Inspection	34,393
Total depreciation expense - Business-type Activities	<u>\$7,214,611</u>



## Construction Commitments

The County has active construction projects as of June 30, 2009. The projects include widening and reconstruction of existing streets and bridges, maintenance of existing roads, landfill expansion, construction of a new Courthouse building, and the improvement and expansion of existing water and sewer facilities. At year-end, the County's project commitments are as follows:

<u>Division / Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Transportation		
Road and bridge expansions	\$ 102,706,887	\$ 56,313,616
Other transportation projects	1,483,341	217,818
General government		
Courthouse expansion	10,837,866	6,175,714
Buildings and improvements	14,891,698	15,668,782
Other general government projects	4,541,912	4,330,028
Water and sewer		
Expansions and improvements	18,766,039	43,306,040
Parks		
Expansions and improvements	4,096,386	6,983,024
Environmental service		
Various environmental service projects	2,075,627	3,324,373
Total	<u>\$ 159,399,756</u>	<u>\$ 136,319,395</u>

Most construction projects are financed, in part or in full, by general obligation bonds. Road and bridge expansions are also financed by off-site road fees and transfers of existing resources from the General Fund. Water and sewer expansions are financed by general obligation bonds, the state, and property owners.

## Discretely Presented Component Units

Capital asset activity for the Board of Education for the year ended June 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 15,280,185	\$ 0	\$ 0	\$ 15,280,185
Construction in progress	32,614,047	11,375,703	(34,501,825)	9,487,925
Total capital assets, not depreciated	47,894,232	11,375,703	(34,501,825)	24,768,110
Capital assets, depreciated:				
Buildings	369,842,612	34,603,397	0	404,446,009
Land improvements	7,371,142	432,749	0	7,803,891
Furniture and equipment	25,201,669	1,386,817	(379,984)	26,208,502
Total capital assets, depreciated	402,415,423	36,422,963	(379,984)	438,458,402
Less accumulated depreciation for:				
Buildings	(160,608,604)	(10,344,075)	0	(170,952,679)
Land improvements	(5,312,336)	(293,335)	0	(5,605,671)
Furniture and equipment	(16,577,398)	(2,289,578)	370,490	(18,496,486)
Total accumulated depreciation	(182,498,338)	(12,926,988)	370,490	(195,054,836)
Total capital assets, depreciated, net	219,917,085	23,495,975	(9,494)	243,403,566
Board capital assets, net	\$ 267,811,317	\$ 34,871,678	\$ (34,511,319)	\$ 268,171,676

Capital asset activity for the Library for the year ended June 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, depreciated:				
Furniture and equipment	\$ 553,845	\$ 94,587	\$ (34,569)	\$ 613,863
Library books and AV material	1,035,564	238,629	(269,995)	1,004,198
Total capital assets, depreciated	1,589,409	333,216	(304,564)	1,618,061
Less accumulated depreciation	(1,030,644)	(300,144)	(301,369)	(1,029,419)
Library capital assets, depreciated, net	\$ 558,765	\$ 33,072	\$ 3,195	\$ 588,642

## F. Inter-fund Receivables, Payables, and Transfers

The General Fund is the main fund used to collect, invest, and disburse monies for governmental and proprietary funds. This creates temporary inter-fund balances. The composition of inter-fund balances as of June 30, 2009, is as follows:

Due (to) from other funds:	Governmental Activities	Business-type Activities
General Fund	\$ (61,559,498)	\$ 0
Capital Projects Fund	32,768,317	0
Debt Service Fund	(1,500,213)	0
Water and Sewer Fund	0	12,143,723
Other Non-major Funds	5,501,634	12,646,036
Total	\$ (24,789,760)	\$ 24,789,760

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following is a schedule of inter-fund transfers:

Transfers Out	Transfers In						Total
	General Fund	Capital Projects Fund	Debt Service Fund	Water and Sewer Fund	Non-major Governmental Funds	Non-major Enterprise Funds	
General Fund	\$ (33,690)	\$ 560,670	\$ 0	\$ 25,247	\$ 3,054,379	\$ 76,205	\$3,682,811
Capital Projects Fund	1,249,082	0	5,072,600	0	0		6,321,682
Non-major Governmental Funds	0	0	0	0	14,632	0	14,632
Non-major Enterprise Funds	599,800	0	0	0	0	0	599,800
Total Transfers In:	<u>\$1,815,192</u>	<u>\$ 560,670</u>	<u>\$5,072,600</u>	<u>\$ 25,247</u>	<u>\$ 3,069,011</u>	<u>\$ 76,205</u>	<u>\$10,618,925</u>



## **G. Leases**

### Capital Leases

The County has entered into several lease agreements as lessee for financing the acquisition of various machinery and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception dates. Information on each of the various lease agreements is as follows:

- Fiscal Year 2004 - Various equipment for the General Fund, Water and Sewer Fund, Environmental Service Fund, Parks Fund, and Inspection Fund - semiannual payments of \$130,695 over five years ending August 2008, including interest at a rate of 2.39%, equipment capitalized at \$1,225,000.
- Fiscal Year 2004 - Equipment for the Southern Maryland Criminal Justice Academy - semiannual payments of \$5,475 over five years ending April 2009, including interest at rate of 2.94%, equipment capitalized at \$50,575.
- Fiscal Year 2005 - Various equipment for the General Fund, Water and Sewer Fund, Environmental Service Fund, Parks Fund, and Inspection Fund - semiannual payments of \$159,787 over five years ending August 2009, including interest at a rate of 2.96%, equipment capitalized at \$1,475,000.
- Fiscal Year 2006 - Various equipment for the General Fund, Water and Sewer Fund, Environmental Service Fund and I-Net Fund, - semiannual payments of \$205,840 over five years ending July 2010, including interest at a rate of 4.63%, equipment capitalized at \$1,900,000.
- Fiscal Year 2006 - Equipment for Charles County Sheriff's Office - semiannual payments of \$60,269 over five years ending November 2010, including interest at a rate of 3.398%, equipment capitalized at \$550,000.
- Fiscal Year 2007 - Various equipment for the General Fund, Inspection Fund, Parks Fund, and Water and Sewer Fund - semiannual payments of \$238,797 over five years ending August 2011, including interest at a rate of 6.10%, equipment capitalized at \$2,150,000.
- Fiscal Year 2007 - Meter Replacement Lease for the Water and Sewer Fund - semiannual payments starting at \$132,965 and increasing to \$569,142 over fifteen years ending February 2022, including interest at a rate of 6.47%, various components expended at \$5,862,900.
- Fiscal Year 2008 - Various equipment for the General Fund, Water and Sewer Fund and Environmental Service Fund - semiannual payments of \$221,025.27 over five years ending August 2012, including interest at a rate of 3.72%, equipment capitalized at \$2,000,000.
- Fiscal Year 2008 - Public Safety Portable Radios - semiannual payments of \$98,905 over five years ending January 2013, including interest at a rate of 3.50%, equipment capitalized at \$900,160.
- Fiscal Year 2009 - Various equipment for the General Fund, Water and Sewer Fund Inspection Fund and Environmental Service Fund - semiannual payments of \$330,929 over five years ending September 2013, including interest at a rate of 3.65%, equipment capitalized at \$3,000,000.

The assets acquired through capital leases and still in use are as follows:

	Governmental Activities	Business-type Activities
Assets:		
Building & Improvements	\$ 90,906	\$ 0
Machinery and equipment	8,083,351	1,921,779
Vehicles	5,330,394	2,754,508
Total capital assets	13,504,651	4,676,287
Less accumulated depreciation:		
Building & Improvements	(40,474)	0
Machinery and equipment	(4,787,282)	(1,325,310)
Vehicles	(3,708,444)	(1,914,065)
Total accumulated depreciation	(8,536,200)	(3,239,375)
Total capital assets, net	\$ 4,968,451	\$ 1,436,912

The future minimum obligations and the net present value of the minimum lease payments as of June 30, 2009, were as follows:

	Governmental Activities	Business-type Activities	Total
2010	\$ 2,041,880	\$ 882,074	\$ 2,923,954
2011	1,621,201	912,493	2,533,694
2012	1,211,319	832,115	2,043,434
2013	833,707	752,663	1,586,370
2014	226,521	625,254	851,775
2015 -2019	0	2,848,200	2,848,200
2020 - 2022	0	1,843,472	1,843,472
Subtotal	5,934,628	8,696,271	14,630,899
Interest	(602,340)	(2,141,804)	(2,744,144)
Present value of minimum lease payments	\$ 5,332,288	\$ 6,554,467	\$ 11,886,755

## **H. Long-Term Debt**

### General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$515,853,000. During the year ended June 30, 2009, general obligation bonds totaling \$52,540,000 were issued for consolidated public improvement, of which \$2,000,000 were taxable.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. In the past these bonds have been generally issued as 15-year serial bonds with equal amounts of principal maturing each year. Over the past seven years, the County has issued 10 year bonds as part of its overall debt issuance as it pertains to the Excise Tax collections assessed annually on new homeowner's tax bills for school construction. The County's General obligation bonds currently outstanding are as follows:



Bond Description and Year	Amount Borrowed	Term and Rate	Governmental Activities Balance 6/30/2009
Consolidated Public Improvement Bonds of 1998	\$4,921,479	15 yrs, 4.125% - 4.6%	0
Consolidated Public Improvement Bonds of 1999	\$7,758,000	15 yrs, 3.875% - 4.4%	0
Consolidated Public Improvement Bonds of 2000	\$6,940,000	15 yrs, 4.8% - 5.625%	494,808
Consolidated Public Improvement Bonds of 2001	\$8,497,300	15 yrs, 4.125% - 4.7%	1,172,918
Consolidated Public Improvement and Refunding Bonds of 2002	\$20,503,271	15 years, 3% - 5%	7,365,368
Consolidated Public Improvement Bonds of 2003	\$13,164,200	15 years, 2% - 4%	8,620,195
Consolidated Public Improvement Bonds of 2003	\$6,910,000	10 years, 2% - 4%	2,990,000
Consolidated Public Improvement and Refunding Bonds of 2004	\$36,719,700	15 years, 2% - 4%	26,140,656
Consolidated Public Improvement and Refunding Bonds of 2004	\$31,500,000	10 years, 2% - 4%	16,700,000
Consolidated Public Improvement Bonds (Taxable) of 2004	\$8,000,000	15 years, 4% - 5%	5,855,000
Consolidated Public Improvement and Refunding Bonds of 2005	\$39,451,102	15 years, 3% - 4.5%	26,247,320
Consolidated Public Improvement and Refunding Bonds of 2005	\$10,160,000	10 years, 3% - 4.5%	6,610,000
Consolidated Public Improvement Bonds (Taxable) of 2005	\$6,000,000	15 years, 5% - 5.125%	4,755,000
Consolidated Public Improvement Bonds of 2006	\$23,240,000	15 years, 4% - 5%	19,526,615
Consolidated Public Improvement Bonds of 2006	\$16,120,000	10 years, 4% - 5%	11,850,000
Consolidated Public Improvement Bonds (Taxable) of 2006	\$10,000,000	15 years, 5.125% - 8%	8,545,000
Consolidated Public Improvement Bonds of 2007	\$19,061,000	15 years, 3.5% - 4%	17,070,059
Consolidated Public Improvement Bonds of 2007	\$16,300,000	10 years, 3.5% - 4%	13,485,000
Consolidated Public Improvement Bonds (Taxable) of 2007	\$3,000,000	15 years, 5.75% - 5.51%	2,720,000
Consolidated Public Improvement Bonds of 2008	\$15,900,000	15 years, 3% - 5%	15,039,271
Consolidated Public Improvement Bonds of 2008	\$1,600,000	10 years, 3% - 5%	1,460,000
Consolidated Public Improvement Bonds (Taxable) of 2008	\$20,000,000	15 years, 5% - 5.25%	18,975,000
Consolidated Public Improvement Bonds of 2009	\$39,899,111	20 years, 2% - 4.25%	39,900,097
Consolidated Public Improvement Bonds of 2009	\$900,000	10 years, 2% - 4.25%	900,000
Consolidated Public Improvement Bonds (Taxable) of 2009	\$2,000,000	15 years, 4% - 5.375%	2,000,000
Total bonds outstanding			258,422,307

Notes Payable

Loan Description and Year	Amount Borrowed	Term and Rate	Governmental Activities Balance 6/30/2009
FHA Loan 1973	\$250,000	40 years, 3.649%	84,702
MD Water Quality Revolving Loan Fund for Pisgah Landfill	\$7,838,664	15 years, 4.37%	1,572,872
Total loans outstanding			1,657,574
Total bonds & loans outstanding			\$ 260,079,881

Bond Description and Year	Amount Borrowed	Term and Rate	Business-type Activities Balance 6/30/2009
Consolidated Public Improvement Bonds of 1998	\$478,521	15 years, 4.125% - 4.6%	0
Consolidated Public Improvement Bonds of 1999	\$242,000	15 years, 3.875% - 4.4%	0
Consolidated Public Improvement Bonds of 2000	\$4,210,000	15 years, 4.8% - 5.625%	300,192
Consolidated Public Improvement Bonds of 2001	\$3,177,800	15 years, 4.125% - 4.7%	442,082
Consolidated Public Improvement and Refunding Bonds of 2002	\$6,356,729	15 years, 3% - 5%	1,959,632
Consolidated Public Improvement Bonds of 2003	\$8,925,800	15 years, 2% - 4%	5,844,805
Consolidated Public Improvement and Refunding Bonds of 2004	\$4,550,300	15 years, 2% - 4%	3,239,344
Consolidated Public Improvement and Refunding Bonds of 2005	\$13,098,900	15 years, 3% - 4.5%	8,997,680
Consolidated Public Improvement Bonds of 2006	\$3,640,000	15 years, 4%-5%	3,058,385
Consolidated Public Improvement Bonds of 2007	\$14,639,000	15 years, 3.5% - 4 %	13,109,941
Consolidated Public Improvement Bonds of 2008	\$9,500,000	15 years, 3%-5%	8,985,729
Consolidated Public Improvement Bonds of 2009	\$9,740,890	20 years, 2%-4.25%	9,739,903
Total bonds outstanding			\$55,677,693

#### Notes Payable

	Amount Borrowed	Term and Rate	Business-type Activities Balance 6/30/2009
MD Water Quality Revolving Loan Fund of 1996	\$1,512,911	15 years, 4.35%	260,217
MD Water Quality Revolving Loan Mattawoman BNR Upgrade	\$14,767,900	20 years, 1.200%	12,770,940
Total loans outstanding			13,031,157
Total bonds & loans outstanding			\$ 68,708,850

### **Current and Advanced Refunding and Defeased Debt**

On April 29, 2009, the County issued \$52,540,000 in general obligation bonds, \$2,000,000 of which was taxable. The remaining \$50,540,000 of tax exempt bonds was used to finance certain capital projects in the County as well as to refinance select outstanding debt as detailed below.

#### **Current Refunding:**

Of the \$52,240,000 of general obligation bonds that were issued, \$5,055,000 was used to refund \$5,070,000 in outstanding debt maturities of the County's Consolidated Public Improvement Bonds of 1998 and 1999. The refunded bonds were called on May 15, 2009 and are no longer outstanding on the County's books.

#### **Advanced Refunding:**

Of the \$52,240,000 of general obligation bonds that were issued, \$9,485,000 was used to defease \$9,410,000 in outstanding debt maturities of the County's Consolidated Public Improvement Bonds of 2000 and 2001. The refunded bonds will be called on February 1, 2010 and February 1, 2011, respectively. In

prior years the County has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County's government-wide financial statements. As of June 30, 2009, the amount of defeased debt outstanding but removed from the financial statements amounted to \$9,410,000.

**Summary:**

As a result of the refunding, \$14,540,000 in refunding bonds was used to refund a total of \$14,480,000 in outstanding debt from the County's 1998, 1999, 2000, and 2001 bond issues. The refunding was undertaken to reduce total future debt service payments without extending the life of debt. The refunding debt exceeded the refunded debt by \$60,000. This difference is being amortized over the remaining life of the refunded debt. This transaction resulted in a reduction of \$868,874 in future debt service payments by the County.

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
<b><u>Governmental activities:</u></b>					
General obligation bonds	\$ 250,841,807	\$ 42,800,097	\$ (35,219,597)	\$ 258,422,307	\$ 27,279,770
Notes payable	2,146,166	0	(488,592)	1,657,574	509,889
Capital leases	5,178,942	2,019,000	(1,865,654)	5,332,288	1,706,909
Net Pension Obligation	443,483	0	(15,880)	427,603	0
Net OPEB Obligation	11,770,824	8,564,845	0	20,335,669	0
Compensated absences	11,541,126	1,148,650	0	12,689,776	1,163,936
Governmental activities noncurrent liabilities	281,922,348	54,532,592	(37,589,723)	298,865,217	30,660,504
<b><u>Business-type activities:</u></b>					
General obligation bonds	53,663,193	16,276,210	(14,261,710)	55,677,693	4,710,167
Notes payable	13,826,797	0	(795,640)	13,031,157	809,032
Capital leases	6,219,175	981,000	(645,708)	6,554,467	612,852
Landfill closure costs	4,717,090	181,835	0	4,898,925	0
Net Pension Obligation	142,692	1,336	(7,933)	136,095	0
Net OPEB Obligation	1,972,421	1,406,213	0	3,378,634	0
Compensated absences	1,535,429	76,682	(59,413)	1,552,698	203,776
Business-type activities noncurrent liabilities	82,076,797	18,923,276	(15,770,404)	85,229,669	6,335,827
Total primary government noncurrent liabilities	\$ 363,999,147	\$ 73,455,868	\$ (53,360,127)	\$ 384,094,886	\$ 36,996,331
<b><u>Component units:</u></b>					
Board of Education	\$ 32,984,269	\$ 20,377,085	\$ 0	\$ 53,361,354	\$ 500,000
Library	\$ 171,049	\$ 12,281	\$ 0	\$ 183,330	\$ 183,330



For the governmental activities, compensated absences are generally liquidated by the general fund and certain special revenue funds.

The annual requirements to amortize all debt outstanding as of June 30, 2009, including interest of \$91,871,791 and excluding compensated absences, net pension obligation, OPEB obligation and landfill closure costs, are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		
Year ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 29,496,568	\$ 10,910,531	\$ 6,132,051	\$ 2,629,049	\$ 49,168,199
2011	27,064,797	10,127,610	6,047,494	2,474,511	45,714,412
2012	27,158,984	9,058,222	5,871,431	2,263,354	44,351,991
2013	25,686,384	7,946,709	5,629,405	2,060,692	41,323,190
2014	24,780,409	6,950,985	5,644,962	1,869,631	39,245,987
2015-2019	87,820,679	20,898,457	26,909,483	6,177,597	141,806,216
2020-2024	34,258,777	5,336,816	15,348,757	1,685,668	56,630,018
2025-2029	9,145,570	1,187,554	3,679,734	294,405	14,307,263
	\$ 265,412,168	\$ 72,416,884	\$ 75,263,317	\$ 19,454,907	\$ 432,547,276

#### Conduit Debt

Charles County Government has issued five economic development revenue bonds for the express purpose of providing capital financing for specific third parties that are not a part of the Charles County Government's financial reporting entity. These bonds neither constitute an indebtedness nor do they represent a pledge of the full faith and credit of the Charles County Government and are not reported as liabilities on the accompanying financial statements. Of these five issues, three of them have been satisfied or paid in full. For the two issues remaining, the aggregate principal amount outstanding at June 30, 2009 is \$1,509,437.

#### Special Assessment Debt

In prior years, the County has had requested and granted various special assessments on projects petitioned by citizens. These projects are performed by the County, but the cost is fully funded by the property owners. No debt has been issued for these projects to date rather they have been funded on a pay-go basis.

## I. Restricted Assets

The details of the restricted assets are as follows:

### Governmental Activities

#### Cash and cash equivalents:

Inmate account	\$	37,769	
County Attorney escrow		10,001	
SAO Restitution account		3,127	
Lease deposits		10,006	
Construction escrow		1,406,561	
Total cash and cash equivalents			\$ 1,467,464

#### Notes receivable:

Nursing Home	844,731	
Civista	12,304,534	
ACPT	26,388,416	
So. MD Baseball LLC	8,015,106	
College of Southern Maryland	779,717	
Total notes receivable		48,332,504
Total Governmental Activities		49,799,968

### Business-type Activities

#### Cash and cash equivalents:

Landfill Bonds		121,851
TOTAL PRIMARY GOVERNMENT	\$	49,921,819

## J. Fund Balance Analysis

The following are the components of Fund Balance in the governmental funds:

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:					
<u>Reserved for:</u>					
Inventory	\$ 1,521,884	\$ 0	\$ 0	\$ 0	\$ 1,521,884
Capital outlay	627,984	22,612,742	0	0	23,240,726
Economic development	701,199	0	0	0	701,199
Judicial grants	0	0	0	50,470	50,470
Transportation	0	0	0	764,621	764,621
Public safety	0	0	0	370,793	370,793
Community development grants	0	0	0	171,808	171,808
Housing	0	0	0	2,648,562	2,648,562
Animal control	0	0	0	73,049	73,049
Drug enforcement	0	0	0	495,272	495,272
Fire and rescue	0	0	0	200,273	200,273
Mental health	0	0	0	112,453	112,453
I-net technology	0	0	0	830,858	830,858
Total reserved	2,851,067	22,612,742	0	5,718,158	31,181,967
<u>Unreserved:</u>					
<u>Designated for:</u>					
Health insurance	1,128,981	0	0	0	1,128,981
Animal control	22,861	0	0	0	22,861
Housing	338,494	0	0	0	338,494
Infrastructure	0	2,946,494	0	0	2,946,494
Road improvements	0	216,534	0	0	216,534
Parks	10,839	0	0	0	10,839
Policy Target	23,386,699	0	0	0	23,386,699
CIP & operations	17,199,225	0	0	0	17,199,225
Total designated	42,087,099	3,163,028	0	0	45,250,127
<u>Undesignated:</u>					
Other undesignated	2,378,609	0	0	0	2,378,608
Housing Special Loans	0	0	0	(20,174)	(20,174)
Debt Service	0	0	(1,409,944)	0	(1,409,944)
Total undesignated	2,378,609	0	(1,409,944)	0	948,491
Total unreserved	44,465,708	3,163,028	(1,409,944)	(20,174)	46,198,618
Total fund balances (deficit)	\$ 47,316,775	\$ 25,775,770	\$ (1,409,944)	\$ 5,697,984	\$ 77,380,585



#### NOTE 4. RISK MANAGEMENT

##### Liability Insurance

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County was unable to obtain general liability, public officials legal liability, police legal liability, business auto liability, and auto physical damage insurance from commercial insurance companies at a cost it considered to be economically justifiable. The County and other local governments throughout the State joined together to form the Local Government Insurance Trust (LGIT), a public entity risk pool. The County pays an annual premium to LGIT for its general insurance coverage. LGIT is self-sustaining through member premiums and will reinsure through commercial companies.

##### Self-Insured Health Care

The County is self-insured for employee health insurance through agreements with CareFirst BlueCross BlueShield, CareFirst BlueChoice, and Delta Dental. Employees contribute 30% of the estimated cost of the plan, and the County contributes 70%. Certain outside agencies and some retirees are also covered under this agreement with varying contribution levels. The health insurance agreements are claims-made policies with administrative fees paid to all carriers. The policies include stop-loss provisions for claims in excess of \$125,000 per person/per year for CareFirst. Claims in excess of this limit are covered by the insurance carrier. Delta Dental does not have a stop-loss provision. At June 30, 2009, a liability of \$870,000 (\$564,521 in governmental-type funds and \$305,479 in business-type funds) was recorded for estimated claims incurred but not yet reported (IBNR), which represents the estimated run-out claims liability should the self-insurance agreement be terminated. Historical experience and actuarial assumptions were the basis used in estimating the liabilities for unpaid claims.

The changes in the County's claims liability are as follows:

Fiscal Year	Beginning of Year	Claims and Changes in Estimates	Payments	End of Year
2004	\$ 750	\$ 410	\$ 0	\$ 1,160
2005	1,160	600	0	1,760
2006	1,760	0	0	1,760
2007	1,760	(800)	0	960
2008	960	(90)	0	870
2009	870	0	0	870

##### Other Insurance

The County continues to carry commercial insurance for other risks of loss, including other general liability; earth movement; flood; employee health, dental, and life; worker's compensation, unemployment, and long-term disability insurance. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five years.

## **NOTE 5. COMMITMENTS AND CONTINGENCIES**

### **A. Contingencies Under Grant Provisions**

The County participates in federal- and state-assisted programs and is a recipient of several grants. These programs and grants are subject to financial and compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as a result of these audits is not believed to be material. The County has experienced audits of a few programs during the year ended June 30, 2009, which have not resulted in any findings or liabilities. The County does not expect any disallowance of grant expenditures in the future.

## **NOTE 6. PENSION PLANS**

The County maintains two separate single-employer, defined benefit pension plans: one for Sheriff's Office and Communications employees and one for substantially all other full-time County employees. The two pension plans are maintained as Pension Trust Funds.

Charles County also administers a single employer defined benefit length of service award program (LOSAP) for volunteer fire and rescue members of all Charles County Companies and Departments. The County does not produce separate comprehensive annual financial reports for any of these three plans. Therefore, all required disclosures for the plans are included within this report.

The following are the required statements for the County's Fiduciary Funds, including the OPEB trust funds that are explained in detail under Note 7 starting on page 81:

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2009

	<u>County's Pension</u>	<u>Sheriff's Pension</u>	<u>OPEB Trust Funds</u>	<u>LOSAP Funds</u>	<u>Total</u>
<b>ASSETS:</b>					
Current assets:					
Cash and cash equivalents	\$ 2,430,035	\$ 460,774	\$ 430,663	\$ 0	\$ 3,321,472
Interest receivable	0	124,268	0	0	124,268
Total current assets	<u>2,430,035</u>	<u>585,042</u>	<u>430,663</u>	<u>0</u>	<u>3,445,741</u>
Investments at fair value:					
Bond mutual funds	11,730,877	14,417,979	0	0	26,148,856
Equity securities	61,209,167	74,188,928	0	8,077,070	143,475,165
Total investments	<u>72,940,044</u>	<u>88,606,907</u>	<u>0</u>	<u>8,077,070</u>	<u>169,624,021</u>
Total assets	75,370,079	89,191,949	430,663	8,077,070	173,069,761
<b>LIABILITIES:</b>					
Accrued expenses	<u>(38,525)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(38,525)</u>
<b>NET ASSETS:</b>					
Held in trust for pension benefits	<u>\$ 75,331,554</u>	<u>\$ 89,191,949</u>	<u>\$ 430,663</u>	<u>\$ 8,077,070</u>	<u>\$ 173,031,236</u>



THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2009

	County's Pension	Sheriff's Pension	OPEB Trust Funds	LOSAP Funds	Total
<b>ADDITIONS:</b>					
Contributions:					
Employer contributions	\$ 6,169,831	\$ 5,861,072	\$ 430,663	\$ 8,077,070	20,538,636
Employee contributions	2,062,532	2,173,854	0	0	4,236,386
Total contributions	8,232,363	8,034,926	430,663	8,077,070	24,775,022
Investment earnings:					
Interest	2,803,402	329,028	0	0	3,132,430
Net decrease in fair value of investments	(12,040,878)	(17,046,036)	0	0	(29,086,914)
Total investment earnings	(9,237,476)	(16,717,008)	0	0	(25,954,484)
Less investment expenses	(1,046,337)	418,806	0	0	(627,532)
Net investment earnings	(10,283,813)	(16,298,202)	0	0	(26,582,016)
Total additions	(2,051,449)	(8,263,276)	430,663	8,077,070	(1,806,993)
<b>DEDUCTIONS:</b>					
Benefits paid to members	2,002,154	4,984,400	0	0	6,986,554
Administrative costs	511,934	202,752	0	0	714,686
Total deductions	2,514,088	5,187,152	0	0	7,701,240
Changes in net assets	(4,565,537)	(13,450,428)	430,663	8,077,070	(9,508,234)
Net assets - beginning of year	79,897,093	102,642,377	0	0	182,539,470
Net assets - end of year	\$ 75,331,555	\$ 89,191,949	\$ 430,663	\$ 8,077,070	173,031,235

## A. Sheriff's Office Retirement Plan

**Plan Description** - The Sheriff's Office Retirement Plan (SORP) is a single-employer defined benefit pension plan. The County administers the plan in accordance with Article 25, Section 3 (g-1) of the Annotated Code of Maryland. The County Commissioners have the power and authority to establish and amend the benefit provisions of the SORP. All full-time employees classified as sworn officers, correctional officers or communications employees are eligible to participate in this plan. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. Cost of living adjustments are also provided.

Membership in the plan consisted of the following at July 1, 2008, the date of the last actuarial valuation:

	Sworn Officers	Correctional Officers	Communications Employees
Active plan members	284	144	39
Retirees and beneficiaries receiving benefits	86	8	4
Disabled, receiving benefits	13	1	0
Vested termination	0	1	0
	<u>383</u>	<u>154</u>	<u>43</u>

Prior to July 1, 1995, the County contracted with an insurance company to provide the guaranteed payment of benefits for retirees of the SORP. Beginning July 1, 1995, the County enacted significant changes in the eligible classes of employees and in the investment policies. Currently, the insurance company has responsibility for payment of benefits only for those employees who retired before July 1, 1995. The funding of continued benefits for those pre-7/1/95 retirees comes from the County, based on quarterly calculations made by the insurance company. Assets held by the insurance company for payment of benefits total \$4,597,976 at June 30, 2009, and are classified as fixed income investments. Benefits paid by the insurance company for the year ended June 30, 2009 totaled \$1,116,487.

**Summary of Significant Accounting Policies: Basis of Accounting and Valuation of Investments** - The statement of plan net assets and the statement of changes in plan net assets are prepared on the accrual basis of accounting. SORP member contributions are recognized when due. The County's employer's contributions are recognized when due and a formal commitment to provide the contributions has been made. Employer-required contributions are calculated by an independent actuarial firm and are paid after formal approval by the County Commissioners. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Market quotations are used for investments traded in an active securities market, and contract values are used for unallocated insurance contracts. Investments are managed by an investment committee which includes an outside investment consultant. The plan is administered by a third-party administrator. Fund assets are held by a custodian. The County does not issue a stand-alone financial report for the Sheriff's Office Retirement Plan, nor is it included in the report of any other entity.

**Contributions and Reserves** - The County Commissioners have the power and authority to establish and carry out a funding policy and method consistent with the objectives of the Plan. Sworn officers are required to contribute 8% of their base earnings. Correctional officers and communications dispatchers are required to contribute 7% of their base earnings. Base earnings are the employee's earnings as of the first day of the County's fiscal year. Earnings for contribution purposes are adjusted annually, on July 1. The County makes the required employer contributions annually, as actuarially determined. Administrative costs of the Plan are financed through investment earnings and additional contributions of the employer.

**Investment Concentrations** - At June 30, 2009, net assets were invested in fixed income mutual funds (17%) and Equity mutual funds (83%).

**Plan Provisions** - The following are the plan provisions of the SORP:

Vesting: For Sworn Officers 5 years of service is required to be 100% vested. For Communications & Corrections Officers, 20 years of service is required to be 100% vested.

Normal Retirement Age: 25 years of service, or age 60, if earlier. 20 years of service, or age 60, if earlier, for Sworn Officers hired before 7-1-86.

Normal Form of Benefit: Single life annuity with death benefit of undistributed employee contributions plus accumulated interest at 3.0% compounded annually to date of retirement. Other forms are the actuarial equivalent.

Post-Retirement Cost of Living Increases: CPI index, but no more or less than 4% in a year.

Employee Contributions: 8% of base earnings for Sworn Officers. 7% of base earnings for Correctional and Communications

Average Compensation: Three year average of base pay on July 1.

Benefit Formula: Sworn Officers - 3% for each of first 20 years and 2% thereafter, to a maximum of 80% of average compensation.  
Correctional Officers - 2.25 % per year to a maximum of 75% of average compensation.  
Communications Employees - 2.0% per year to a maximum of 75% of average compensation.

DROP: For Sworn Officers a 5 year DROP (Deferred Retirement Option Program) is offered. DROP allows a sworn member of the Sheriff's Office to retire without terminating employment for up to 5 years. DROP credits consist of DROP monthly retirement income deposits and County pick-up contributions. DROP monthly retirement income deposits are subject to annual COLA. DROP account balances are credited with 7% interest each July 1.

Service: Up to three years of military service counts for benefit, but not eligibility. Accumulated sick leave provides an increased benefit percentage of 1% for 500 hours and an additional 0.1% for each additional 100 hours to a maximum of 4.0%.

Early Retirement: With at least 20 years of service, reduction factors are as follows:

<u>Years early</u>	<u>Sworn (post 7/1/86)</u>	<u>Communications &amp; Corrections</u>
1	3.0%	8.4%
2	6.0%	16.8%
3	9.0%	25.2%
4	12.0%	32.4%
5	15.0%	39.6%

Termination Prior to Retirement: Return of employee contributions with 3% interest.

Line of Duty Disability:

Total and Permanent: 66-2/3% average compensation reduced by 50% of Social Security benefits, 100% of Worker's Compensation benefits and LTD benefits, if any.

Disability from Own Position: A percentage of final 3 years average earnings, based on percentage disability as determined by the Disability Review Board, subject to:



- a) a minimum of 15%
  - b) a maximum of 50%
  - c) offset of 50% of Social Security
  - d) offset of 100% of Workers Compensation
  - e) offset by LTD benefits, if any.
- Communications Dispatchers are not eligible for this benefit.

Non-Line of Duty Disability: 5 Years of Service is required for this benefit.

Total and Permanent: A percentage of final 3 years average earnings, based on percentage disability as determined by the Disability Review Board, subject to:

- a) a minimum of 15%
- b) a maximum of 40%
- c) offset of 50% of Social Security
- d) offset of 100% of Worker's Compensation
- e) no benefit until LTD benefits, if any, expire.

Disability from Own Position: A percentage of final 3 years average earnings, based on percentage disability as determined by the Disability Review Board, subject to:

- a) a minimum of 15%
- b) a maximum of 40%
- c) offset of 50% of Social Security
- d) offset of 100% of Worker's Compensation
- e) no benefit until LTD benefits, if any, expire.

Disability must be catastrophic (loss of limb, loss of hearing, blindness).  
Communications Dispatchers are not eligible for this benefit.

Pre-Retirement Spouse's Benefit:

Line of Duty Death Benefit: 66-2/3% of Participant's average compensation less any survivor benefits paid under Social Security.

Non-Line of Duty Death Benefit: 100% of the normal retirement benefit accrued to date of death, with reduction based on spouse's age.

Other Pre-Retirement Death Benefits: A Beneficiary will receive employee contributions plus credited interest.

**Annual Pension Cost and Net Pension Obligation** - The annual pension cost for the year ended June 30, 2009 was equal to the amount of the Annual Required Contribution of \$5,861,072. There was no net pension obligation at June 30, 2009. The Annual Required Contribution for the current year was determined as part of the July 1, 2008 actuarial valuation. The actuarial assumptions and methods included:

Funding Method: Projected unit credit with amortization of the unfunded accrued liability over a period of 20 years as level percentage of pay. Total payroll is assumed to increase 3.5% per year.

Asset Method: Three-year averaging method. Returns on the average market value of assets above or below the assumed 8% return are gradually recognized over a three-year period.

Interest: 8% compounded annually.

Post Retirement COLA Increases: 3% compounded annually, no limit.

Mortality: RP-2000 Blue Collar Mortality. A five-year set-forward is used for post-disability mortality.

Salary Increases: 5.5% compounded annually.

DROP Load Factor: Retirement liabilities were loaded to reflect Sworn Officers electing a 5-year DROP.  
Sample rates are:

Sheriff's hired prior to 7/1/1986				Sheriff's hired after to 7/1/1986			
Years of Service				Years of Service			
Age	25	30	35	Age	25	30	35
45	1.055	1.071	1.219	45	1.000	1.071	1.219
50	1.075	1.092	1.242	50	1.000	1.092	1.242
55	1.105	1.121	1.275	55	1.000	1.121	1.275

These factors are based on Blue Collar Male Mortality at 8%. DROP account accrues interest at 7% per year and DROP credits increase each year by the COLA.

Disability: Sample rates are:

Age	Rate
25	0.19%
35	0.28%
45	0.98%

Rates are reduced by 50% for corrections and communications employees.

Assumed Disability Benefit: 66-2/3% of average compensation reduced by \$5,000 per year to model the offsetting benefits.

Turnover: Sample rates for those with 0-10 years of service are:

Age	Sworn Officers	Corrections and Communications
25	6.03%	15.45%
35	5.26%	13.72%
45	3.35%	10.33%

The turnover rates for those with 10-15 years of service are assumed to be 50% of those with 0-10 years of service. The rates for those with more than 15 years of service are assumed to be 10% of the base rates for the Deputy Sheriffs and 37.5% of the base rates for the Correctional Officers and Communications Employees.

Retirement:

Sheriffs hired prior to 7/1/1986

Years of Service	% Retiring
0-19	0%
20	50%
21+	20%

100% of participants are assumed to retire at age 60.

Sheriffs hired after to 7/1/1986

Years of Service	% Retiring
0-19	0%
20	10%
21-24	5%
25	50%
26-27	0%
28+	20%

100% of participants are assumed to retire at age 60.

Corrections & Communications Years of Service				
Age	0-19	20-24	25	26+
40	0.00%	12.23%	50.00%	20.00%
45	0.00%	10.33%	50.00%	20.00%
50	0.00%	7.23%	50.00%	20.00%
55	0.00%	2.74%	50.00%	20.00%
60	100%	100%	100%	100%

Sick Leave: Unused sick leave is assumed to increase 60 hours per year.

Termination: For Sworn Officers, participants terminating with 5 or more years of service are eligible for a benefit. Participants reaching age 45 are assumed to receive accrued benefit upon reaching age 60. All other participants are assumed to elect to receive a refund of their contributions.

Communications and Corrections Officers terminating with less than 20 years of service (normal retirement eligibility) are assumed to receive a refund of their contributions.

Military Service: Actual service.

Loading: A 0.5% expense loading is added to liabilities and normal cost for administrative expenses and \$95,000 is added to normal cost for investment expenses. The \$95,000 is new for the 2008 valuation.

Other Methods and Assumptions:

Cost and assets are measured separately for each of the three employee groups. If employees transfer between groups, assets are also transferred. The allocation between each group is intended to be an approximation of the cost and assets as if each had a separate plan. However, there is only one plan and trust fund.

Transferred and purchased service are tracked for each employee. All known and confirmed service is included in the current valuation. The value of remaining employee contributions to purchase service is included in the actuarial value of assets.

The July 2008 valuation determines the cost for fiscal year 2010.

The valuation cost is also the GASB 27 pension expense. The actuary believes that there is no past or current Net Pension Obligation (NPO).

The salary provided is as of July 1, 2008. It is assumed to be the salary for the next 12 months and not part of the accrued benefit when measuring projected benefits. Projected salary is limited to the current 401(a)(17) pay cap.

The Schedule of Employer Contributions and the Schedule of Funding Progress are as follows:

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
SHERIFF'S OFFICE RETIREMENT PLAN

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage of</u> <u>ARC</u> <u>Contribution</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/03	\$ 4,240,911	100%	\$0
6/30/04	\$ 4,100,000	100%	\$0
6/30/05	\$ 4,150,000	100%	\$0
6/30/06	\$ 4,451,597	100%	\$0
6/30/07	\$ 5,263,564	100%	\$0
6/30/08	\$ 4,955,872	100%	\$0
6/30/09	\$ 5,861,072	100%	\$0



**SCHEDULE OF FUNDING PROGRESS  
SHERIFF'S OFFICE RETIREMENT PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll ( c )	UAAL as a % of Covered Payroll ((b-a) /c)
<b>Deputy Sheriffs</b>						
7/1/03	\$ 58,578,432	\$ 77,141,215	\$ 18,562,783	75.9%	\$ 12,981,937	143.0%
7/1/04	\$ 63,700,221	\$ 82,011,919	\$ 18,311,698	77.7%	\$ 13,438,004	136.3%
7/1/05	\$ 71,281,359	\$ 91,951,068	\$ 20,670,709	77.5%	\$ 14,195,503	145.6%
7/1/06*	\$ 80,364,953	\$ 99,525,770	\$ 19,160,817	80.7%	\$ 15,923,523	120.3%
7/1/06	\$ 80,364,953	\$ 100,619,352	\$ 20,254,399	79.9%	\$ 15,923,523	127.2%
7/1/07**	\$ 90,764,831	\$ 108,715,685	\$ 17,950,854	83.5%	\$ 16,900,338	106.2%
7/1/07	\$ 90,764,831	\$ 111,427,411	\$ 20,662,580	81.5%	\$ 16,900,338	122.3%
7/1/08	\$ 98,067,749	\$ 121,806,238	\$ 23,738,489	80.5%	\$ 18,653,670	127.3%
<b>Corrections Officers</b>						
7/1/03	\$ 6,326,472	\$ 8,147,038	\$ 1,820,566	77.7%	\$ 4,323,886	42.1%
7/1/04	\$ 7,322,494	\$ 9,220,494	\$ 1,898,000	79.4%	\$ 4,612,304	41.2%
7/1/05	\$ 8,536,271	\$ 10,885,333	\$ 2,349,062	78.4%	\$ 5,219,549	45.0%
7/1/06*	\$ 9,974,590	\$ 12,679,170	\$ 2,704,580	78.7%	\$ 6,086,937	44.4%
7/1/06	\$ 9,974,590	\$ 12,841,699	\$ 2,867,109	77.7%	\$ 6,086,937	47.1%
7/1/07	\$ 11,894,146	\$ 14,773,914	\$ 2,879,768	80.5%	\$ 6,898,253	41.7%
7/1/08	\$ 13,315,300	\$ 17,613,334	\$ 4,298,034	75.6%	\$ 7,834,547	54.9%
<b>Communications Employees</b>						
7/1/03	\$ 2,506,049	\$ 2,880,964	\$ 374,915	87.0%	\$ 1,011,127	37.1%
7/1/04	\$ 2,674,056	\$ 3,180,222	\$ 506,166	84.1%	\$ 1,145,301	44.2%
7/1/05	\$ 2,998,552	\$ 3,496,802	\$ 498,280	85.8%	\$ 1,175,771	42.4%
7/1/06*	\$ 3,353,839	\$ 3,982,409	\$ 628,570	82.4%	\$ 1,481,266	42.4%
7/1/06	\$ 3,353,839	\$ 4,027,929	\$ 674,090	83.3%	\$ 1,481,266	45.5%
7/1/07	\$ 3,854,388	\$ 4,518,778	\$ 664,390	85.3%	\$ 1,698,330	39.1%
7/1/08	\$ 4,243,211	\$ 5,352,606	\$ 1,109,395	79.3%	\$ 1,948,764	56.9%
<b>Total</b>						
7/1/03	\$ 67,410,953	\$ 88,169,217	\$ 20,758,264	76.5%	\$ 18,316,950	113.3%
7/1/04	\$ 73,696,771	\$ 94,412,635	\$ 20,715,864	78.1%	\$ 19,195,609	107.9%
7/1/05	\$ 82,816,152	\$ 106,333,203	\$ 23,517,051	77.9%	\$ 20,590,823	114.2%
7/1/06*	\$ 93,693,382	\$ 116,187,349	\$ 22,493,967	80.6%	\$ 23,491,726	95.8%
7/1/06	\$ 93,693,382	\$ 117,488,980	\$ 23,795,598	79.7%	\$ 23,491,726	101.3%
7/1/07**	\$ 106,513,365	\$ 128,008,377	\$ 21,495,012	83.2%	\$ 25,496,921	84.3%
7/1/07	\$ 106,513,365	\$ 130,720,103	\$ 24,206,738	81.5%	\$ 25,496,921	94.9%
7/1/08	\$ 115,626,260	\$ 144,772,178	\$ 29,145,918	79.9%	\$ 28,436,981	102.5%

Note: \*Before mortality change.

\*\*Before plan change.

## B. County Employees Retirement Plan

**Plan Description** - The County Employees Retirement Plan (the County Plan) is a single-employer defined benefit pension plan, established in accordance with Article 25, section 3(g) of the Annotated Code of Maryland. The County Commissioners have the power and authority to establish and amend the benefit provisions of the County Plan. All full-time employees not otherwise eligible for the SORP are eligible to participate in this plan. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. Cost of living adjustments are also provided.

Membership in the plan consisted of the following at July 1, 2008, the last date of the last actuarial valuation:

Active plan members	859
Terminated, entitled to but not yet receiving benefits	104
Retirees and beneficiaries receiving benefits	152
	<hr/>
	1,115

**Summary of Significant Accounting Policies: Basis of Accounting and Investment Valuation** - The statement of plan net assets and the statement of changes in plan net assets are prepared on the accrual basis of accounting. Member contributions are recognized when due. Employer-required contributions are recognized upon formal approval by the County Commissioners. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Market quotations are used for investments traded in an active securities market, and contract values are used for unallocated insurance contracts. Investments are managed by an investment committee which includes an outside investment consultant. The plan is administered by a third-party administrator who also acts as custodian for the fund assets. The County does not issue a stand-alone financial report for the County Employees Retirement Plan, nor is it included in the report of any other entity.

**Contributions and Reserves** - The County Commissioners have the power and authority to establish and carry out a funding policy and method consistent with the objectives of the Plan. Active non-public safety plan members are required to contribute 4% of their base earnings to the Plan and no contributions are required after 31 years of credited service. Public safety plan members are required to contribute 7% of their base earnings. Base earnings are the employee's earnings as of the first day of the County's fiscal year. Earnings for contribution purposes are adjusted only once annually, on July 1. The County normally makes employer contributions annually as actuarially determined. For the year ended June 30, 2009, the County fully funded the ARC of \$6,169,831 to the Plan as recommended in the actuarial as of July 1, 2008. Administrative costs of the Plan are financed through investment earnings and additional contributions of the employer.

**Investment Concentrations** - At June 30, 2009, the County Plan's net assets were invested in the following types of investments:

Guaranteed Deposit	24 %
Fixed Income – Domestic	15 %
Large Cap Stock	30 %
International Stock – Blend	12 %
Special Equity - Real Estate Fund	5 %
Mid Cap Stock	6 %
Small Cap Stock	8 %



**Plan Provisions** - The following are the plan provisions of the County Plan:

<u>Normal Retirement Date:</u>	For non-public safety participants; the first day of the month coinciding with or next following the later of a participant's 62 <sup>nd</sup> birthday or the completion of 5 years of service; for participants in the Plan prior to July 1, 1977, there is an elective normal retirement date of age 60. For public safety participants; the first day of the month coinciding with or next following the earlier of a participant's 60 <sup>th</sup> birthday or 25 hypothetical years of service.
<u>Income Payable:</u>	Amount described in (a) or (b) below, whichever applies:  (a) If participant has a spouse as of his retirement date and does not elect otherwise, retirement income shall be paid on the basis of Joint and Survivor form, as stipulated by ERISA, and will be the amount determined under the benefit formula multiplied by the appropriate factor.  (b) If participant either has no spouse as of his retirement date or elects to receive his income under the normal form, retirement income will be the amount determined under the benefit formula.
<u>Form of Annuity:</u>	Modified cash refund.
<u>Cost of Living Increases:</u>	Provides for an annual increase/decrease in the annuity benefit in proportion to the last annual increase in the Consumer Price Index. This increase/decrease shall not be in excess of 4% per year.
<u>Earnings:</u>	Basic compensation received from the employer excluding overtime payments, commissions, bonuses and any other additional compensation; subject to a \$200,000 limit.
<u>Final Earnings:</u>	Highest average rate of earnings on any three consecutive July 1's during the last ten years before retirement date, early retirement, or termination of employment.
<u>Benefit Formula:</u>	Employees are entitled to an annual retirement benefit payable monthly for life, calculated as follows:  For non-public safety participants; Final average earnings X 1.5% X credited years of service 1-5 Final average earnings X 1.75% X credited years of service 5-10 <u>plus</u> Final average earnings X 2.0% X credited years of service 10-15 <u>plus</u> Final average earnings X 2.25% X credited years of service 15-20 <u>plus</u> Final average earnings X 2.5% X credited years of service in excess of 20 To a maximum benefit of 65% of final average earnings.  For public safety participants; Final average earnings X 2.0% X credited years of service To a maximum benefit of 75% of final average earnings.
<u>Service:</u>	All years of service with the County from date of employment to early retirement, termination of employment, or retirement date.
<u>Credited Service:</u>	All years of service with the County while making contributions to the Plan, from the date of employment to early retirement, termination of employment, or retirement date except the first year of service is excluded for participants hired prior to July 1, 1968 if contributions were not made for the first year.
<u>Additional Credited Service:</u>	For non-public participants; provides additional credited service due to earned but unused sick leave at the rate of 22 days of sick leave equals one month of additional credited service, provided the employee has a minimum of 5 years of service, with a maximum of 12 months additional credited service. Additional credited service for military service up to 5 years if earned during employment; if precedes employment, up to 3 years if non-military service is at least 10 years.



For public safety participants; 1% of final average earnings for the first 500 hours of unused sick leave plus .1% final average earnings for every 100 hours above 500 up to a maximum additional 4% final average earnings. Additional credited service for military service up to 3 years; if precedes employment, up to 3 years if non-military service is at least 10 years.

Participation Eligibility:

Making employee contributions to the plan.

Early Eligibility:

For non-public safety participants; ten years early with five years of service.

For public safety participants; twenty years of service.

Early Benefit Amount:

For non-public participants; normal retirement benefit accrued to early retirement, actuarially reduced for the number of months annuity commencement date precedes normal retirement date; if service is 20 years or greater, actuarial reduction is from age 60.

For public safety participants; the normal retirement benefit accrued to early retirement, actuarially reduced based on the years of service prior to normal retirement date.

Vesting Schedule:

For non-public safety participants; 25% after 2 years, 50% after 3 years, 75% after 4 years, and 100% after 5 years; normal retirement date equals 100% vesting. For employees hired on or after July 1, 1997, 100% after 5 years.

For public safety participants; 100% vesting after 20 years of service.

Vested Benefit:

Benefit accrued to date of termination adjusted by the appropriate vesting percentage.

Employee Contributions:

Amount

For non-public safety participants: 4% of earnings; no contributions after 31 years of credited service.

For public safety participants: 7% of earnings.

Interest Credited

5% per annum.

Death or  
Termination  
Refund

Pre-retirement: Refund of employee contributions with interest to date of termination or death.

Post-retirement: Excess of employee contributions with interest over annuity payments made, unless another form of benefit becomes payable to the beneficiary.

Disability:

Eligibility

For public safety participants; no eligibility requirement for line-of-duty; 5 years of service for non-line-of-duty.

Benefit Formula

Line-of-duty: Total disability = 66 2/3% final average earnings offset by other income; partial disability = 15% - 50% of final average earnings offset by other income.

Non-line-of-duty: 15% - 40% of final average earnings offset by other income.

Pre-Retirement  
Spouse's Benefit:

For non-public safety participants;

Eligibility (A): Active and attained age 55 and completed five years of service; married one full year prior to death.

Benefit Formula (A): 50% of the pension benefit accrued to date of death.

Eligibility (B): After normal retirement date but before late retirement date and no optional form of payment in effect.

Benefit Formula (B): Pension benefit accrued to date of death payable under the 100% contingent pensioner option.

For public safety participants;

Eligibility (A): Active participant; married one full year prior to death. If no spouse available, benefit payable to dependent child.

Benefit Formula (A): On-duty death: 66 2/3% Final Average Earnings less Social Security benefits.

Not-on-duty death: 100 % of the pension benefit accrued to the date of death.

Eligibility (B): After normal retirement date but before late retirement date and no optional form of payment in effect.

Benefit Formula (B): Pension benefit accrued to date of death payable under the 100% contingent pensioner option.

Eligibility (C): Death while receiving disability benefits.

Benefit Formula (C): 50% of disability benefit payable to spouse or dependent child under age 18.

**Annual Pension Cost and Net Pension Obligation** - The annual pension cost for the year ended June 30, 2009 was slightly less than the Annual Required Contribution made of \$6,169,831, as shown in the historical chart that follows. As a result, the net pension obligation at June 30, 2009 was decreased to a balance of \$563,700. The Annual Required Contribution for the current year was determined as part of the July 1, 2008 actuarial valuation. The actuarial assumptions and methods included:

Funding Method: Frozen Entry Age Normal Actuarial Cost Method with amortization of the unfunded accrued liability using the level percent closed method over 15 years.

Asset Method: Five-year smoothed market effective July 1, 2000.

Investment Return: 8% compounded annually, net of investment and contract fees.

Post Retirement COLA Increases: 3.25% compounded annually.

Inflation: 3.25%

Mortality: The RP-2000 Mortality Table for males and the RP-2000 Mortality Table for females.

Salary Increases: 5.5% compounded annually.

Termination: For non-public safety participants; the probabilities that participants (male and female) at the indicated ages terminate within the upcoming year are based on the Crocker T-6 mortality table (with mortality removed); sample rates are as follows:

<u>Age</u>	<u>%</u>
20	7.94
25	7.72
30	7.40
35	6.86
40	6.11
45	5.16
50	3.62
55	1.37
60	0.13

For public safety participants, the probabilities that participants at the indicated ages terminate within the upcoming year are as follows:

For those with less than 10 years of services, sample rates are:

<u>Age</u>	<u>%</u>
25	15.4
35	13.7
45	10.3
55	02.7

For those with 10 or more but less than 15 years of services, the rates are assumed to be 50% of those with less than 10 years of services. For those with 15 or more years of service, the rates are 37.5% of the rate for those with less than 10 years of service.

Retirement Age:

For non-public safety participants; the earlier of (a) age 62 with 5 years of service or (b) age 60 with 20 years of service. For participants in the Plan prior to July 1, 1977 the retirement date is assumed to be age 60.

For public safety participants, the retirement date is assumed to be the earlier of age 60 or 25 hypothetical years of service.

Additional Credited Service:

For non-public safety participants; additional credited service at assumed retirement, due to unused sick leave is eight months.

For public safety participants; we assume 1,500 hours of unused sick leave at assumed retirement. Any military services that is provided to us is reflected in calculations.

Estimated Expenses:

Annual expenses expected to be paid from plan assets are assumed to be \$35,000.

Survivor Benefits:

It is assumed that husbands are 3 years older than wives.

For non-public safety participants; 90% of the male participants and 60% of the female participants who are or will become eligible for coverage under the survivor benefit will be survived by an eligible survivor.

For public safety participants; 100% of the participants who are or will become eligible for coverage under the survivor benefit will be survived by an eligible survivor; 5% of deaths would be in line-of-duty and the remainder would be non-services related.

Disability:

The 1952 Disability Study of the Society of Actuaries, Period 2, Benefit 5 rates were used. For public safety participants; 5% of disabilities would be in the line-of-duty and the remainder would be non-service related. It is assumed that 100% of line-of-duty disabilities are total disabilities.



Calculation of Net Pension Obligation (NPO)	
ARC	\$ 6,169,831
Interest on NPO	46,894
ARC Adjustment	(69,370)
Annual Pension Cost	6,147,355
Contribution made	(6,169,831)
Change in NPO	(22,476)
NPO Beginning of Year	586,176
NPO End of Year (6/30/09)	<u>\$ 563,700</u>

The Schedule of Employer Contributions and the Schedule of Funding Progress are as follows:

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
COUNTY EMPLOYEES RETIREMENT PLAN**

Fiscal Year Ending	Annual Required Contribution	Percentage of ARC Contributed	Net Pension Obligation
6/30/04	\$2,777,724	75.6%	\$680,786
6/30/05	\$2,955,490	100.1%	\$486,180
6/30/06	\$3,911,688	100.0%	\$265,085
6/30/07	\$5,104,225	100.0%	\$608,499
6/30/08	\$5,527,452	100.0%	\$586,176
6/30/09	\$6,169,831	100.0%	\$563,700

**SCHEDULE OF FUNDING PROGRESS  
COUNTY EMPLOYEES RETIREMENT PLAN**

Actuarial Valuation Date	Actuarial Value of Assets *	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll ( c )	UAAL as a % of Covered Payroll ((b - a ) / c)
6/30/04	\$49,323,829**	\$55,688,894	\$ 6,365,065	88.6%	\$27,278,917	23.3%
6/30/05	\$54,479,225**	\$62,420,831	\$11,941,606	82.0%	\$31,571,806	37.8%
6/30/06	\$62,164,097**	\$79,752,141	\$17,588,044	77.9%	\$37,819,645	46.5%
6/30/07	\$73,598,316**	\$91,470,194	\$17,871,878	80.5%	\$41,645,118	42.9%
6/30/08	\$84,890,274**	\$105,247,008	\$20,356,734	80.7%	\$44,697,536	45.5%
6/30/09	\$90,444,095**	\$117,634,967***	\$27,190,872***	76.9%***		

NOTES:

\* includes contributions received in July of that year if applicable to that plan year

\*\* based on a 5-year smoothed market method effective July 1, 2000

\*\*\* estimated

### **C. Length of Service Award Program (LOSAP) for Volunteer Firemen and Rescue Squad Members**

In accordance with Article 9, Section 130 of the Charles County Code of Public Local Laws of Maryland, a retirement program has been established for qualified active volunteer members of the Charles County volunteer fire companies and volunteer rescue squads and is administered by the Charles County Commissioners. Beginning on January 1, 1974, any person who has reached the age of sixty and who has completed a minimum of twenty-five years of certified active volunteer service with any Charles County volunteer fire company or rescue squad shall receive benefits in the amount of \$100 per month for life. An additional payment of \$4 per month shall be added for each full year of volunteer service in excess of twenty-five years. Seventy-five percent of the volunteer's benefits shall accrue to his or her surviving spouse and shall terminate upon the death or remarriage of the spouse.

The pension contributions for this plan have historically not been actuarially determined. An actuary study was solicited and contracted mid fiscal-year and those results were presented in July 2009. The results on participant data as of December 2008 showed a funded ratio of 45.4% and an unfunded liability of \$9,184,317. However, for the fiscal year and future, the plan was funded from the revenue derived from one cent of the fire and rescue tax levied by the County in accordance with Section 123 of the Article noted above. Contributions made to the program for the year ended June 30, 2009 totaled \$710,500 from the 2008/09 tax levy. The County Commissioners were not obligated to fund the plan, only to administer it.

Program assets are held in trust during the year by a custodian. This service was also solicited during the fiscal year and a new financial institution was selected. As of June 30, 2009, M&T held the fair value of net assets for the plan benefits in the amount of \$8,077,070. Investment decisions are made by an investment firm appointed by the Board of Fire and Rescue Commissioners. Assets have been invested in various stocks, bonds and mutual funds. As of August 2009, all investment plan assets have been transferred from M&T to BB&T as the new custodian less the necessary funds to pay monthly benefits still maintained at M&T.

### **NOTE 7. OTHER EMPLOYMENT BENEFITS**

#### **A. Deferred Compensation Plan**

The County offers its employees three deferred compensation plans, created in accordance with Internal Revenue Code Section 457. The plans are administered by Nationwide Retirement Solutions, Inc., Hartford Life Insurance Companies, and MetLife. The plans, available to all full-time and full-time-reduced-hours employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries. Therefore, in accordance with GASB No. 32, the deferred compensation investments are not reported in the County's financial statements. The following schedule reflects the basic information regarding the County's program:

	Nationwide	Hartford	MetLife	Total
Participants	213	262	66	541
Plan Assets	\$7,973,237	\$3,933,446	\$1,432,045	\$14,189,686
Annual Employee Contribution	\$808,813	\$852,317	\$222,601	\$1,883,730

#### **B. Other Post-Employment Benefits (OPEB)**

Charles County's post employment benefit plan is a single employer defined benefit plan. The following actuarial calculations are based on OPEB benefits provided under the terms of the County's substantive plan



in effect at the time of the valuation and on a pattern of sharing costs between the employer and plan members to that point, while also reflecting a long term financial perspective. Charles County provides medical, dental and vision benefits to eligible employees who retire from employment after meeting the minimum age and years of service requirements of the County Employees Retirement Plan or the Sheriff's Office Retirement Plan which are outlined previously in these notes.

The County pays a portion of the participant's health care premium in accordance with the following schedule:

<u>Years of Service</u>	<u>% Paid by County</u>
5 years	2% per year (10% max)
Years 6-10	3% per year (max 25%)
Years 11-15	4% per year (max 45%)
Years 16-20	4.34% per year (max 66.75%)
Years 21 +	66.7%

For the year ended June 30, 2009, there were 228 former employees and family members with medical coverage, 263 with dental, and 255 with vision. For the fiscal year ended June 30, 2009, the County incurred and recorded \$1,168,231 in health care expenditures for these participants on the pay-go basis.

#### Annual OPEB Cost and Net OPEB Obligation

The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), in an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the combined amount contributed both on the pay-go basis and our initial deposit to open the trust account, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 11,818,000
Interest on OPEB obligation	577,000
Adjustments to annual required contribution	<u>(491,000)</u>
Annual OPEB cost (expense)	\$ 11,904,000
Pay-go contributions made	<u>\$ (1,619,099)</u>
Increase in net OPEB obligation	\$ 10,284,901
Net OPEB obligation - beginning of year	<u>13,743,245</u>
Net OPEB obligation - end of year	<u>\$ 24,028,146</u>

The Library's pro-rata share of the Net OPEB obligation at the end of the current fiscal year is \$313,834.

The County planned and budgeted to contribute to a trust in fiscal year 2009, but due to present budget constraints and the downturn in the economy, delayed it's opening contribution until June 26, 2009 with a transfer of funds for \$430,663. The schedule of funding progress as of the most recent actuarial valuation is as follows:

#### Schedule of Funding Progress - Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
7/1/08	\$ 0.00	\$ 159,294,000	\$ 159,294,000	n/a	\$ 73,134,517	217.80%
7/1/09	\$ 430,663.00	\$ 124,041,000	\$ 123,997,337	.0034%	n/a	n/a



The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2009 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB cost</u>	<u>% of Annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
June 30, 2008	\$ 15,162,000	9.35%	\$ 13,743,245
June 30, 2009	\$ 11,904,000	13.60%	\$ 24,028,146

#### Actuarial Methods and Assumptions

These notes to the financial statements disclose that (1) actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and (2) actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. In the effective June 30, 2009 actuarial valuation, the projected unit credit method, with linear proration to assumed benefit commencement was used. The actuarial assumptions included a 4.2% investment rate of return over the long term and a 4% per year on future salary increases. The asset valuation method used was the fair value. The annual healthcare cost trend rate is 9% initially, reduced to an ultimate rate of 4.20% after year 2080. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 28 years.

#### **NOTE 8. CLOSURE AND POST-CLOSURE CARE COSTS**

##### **A. Pisgah Landfill**

State and federal laws and regulations required the County to place a final cover on its Pisgah landfill site when it stopped accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The Pisgah landfill stopped accepting waste in September 1994. The majority of closure costs related to the landfill were incurred during Fiscal Year 1997. The landfill was closed in fiscal year 2000 with a final cost of \$6,841,885. Post-closure costs for fiscal year ended June 30, 2009 were \$64,493.

##### **B. Charles County Landfill**

State and federal laws and regulations require the County to place a final cover on the County landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The landfill is located on a 70 acre site, estimated to provide nearly 5.3 million cubic yards of landfill space. As of June 30, 2009, approximately 29% of this space remains available for future waste disposal. The County is developing the landfill in sections so that when one section closes another is ready to open. At the close of the fiscal year, the landfill had Phase I, IIA, and IIIA open. The \$4,898,925 reported as landfill closure and post-closure care liability at June 30, 2009, represents the cumulative amount reported to date of the estimated capacity of the sections that have been opened. The County will recognize the remaining estimated cost of closure and post-closure care as the remaining phases and capacity is filled. The actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County has established a sinking fund reserve for landfill closure costs through the implementation of the user fee rates at the landfill. The County estimates the capacity of the landfill and the future date to begin closure with the assistance of computer models. Construction costs are estimated and a rate is adopted during the budget process to ensure funds are available when needed. Landfill closure costs recognized during the year amounted to \$181,835.

## NOTE 9. SUBSEQUENT EVENTS

### Charles County Nursing & Rehabilitation Center Property Transfer

On May 12, 2009, the Board of Commissioners for Charles County held a public hearing on a property transfer request made by the Nursing Home Board of Trustees, whereby the County would transfer its capital asset for the property that the Nursing Home resides. In addition, the Nursing Home would subsequently repay the Notes Receivable balance outstanding upon execution of these documents. On June 16<sup>th</sup>, 2009, a follow-up work session was held for discussion. On July 7<sup>th</sup>, 2009, Resolution 2009-68 was unanimously adopted by the County Board of Commissioners in favor of this property transfer transaction. The settlement of this transaction occurred on October 9<sup>th</sup>, 2009, with the Nursing Home making final payment of \$1,126,605.92. The County has future debt service payments related to the past funding requirements of the Nursing Home and these funds will be held in the Debt Service fund accordingly.

### American Communities Property Trust (ACPT)

Recently reported and disclosed is the acquisition of American Communities Property Trust (ACPT) by Federal Capital Partners in Washington, DC for approximately \$43.6 million. ACPT is the Waldorf-based residential developer that the County has issued taxable bond amounts over the last 6 years. These funds have been used to cover ACPT's share of infrastructure improvements for various neighborhoods and roadways in and around Waldorf and the Southern MD Baseball Stadium complex. The closing of this sale is expected sometime in March of next year.

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## REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2009

	Budgeted amounts		Actual amounts	Variance with
	Original	Final	budgetary basis	final budget positive (negative)
Revenues:				
Taxes - local property	\$ 170,040,400	\$ 170,040,400	\$ 169,977,096	\$ (63,304)
Taxes - income	88,746,000	88,746,000	82,314,487	(6,431,513)
Taxes - other local	19,449,000	11,049,000	11,795,582	746,582
Taxes - state shared	9,400,000	9,400,000	8,077,769	(1,322,231)
Charges for services	10,046,700	9,657,230	8,884,332	(772,898)
Intergovernmental	2,499,700	3,087,120	3,328,143	241,023
Interest income	6,760,000	6,160,000	2,103,658	(4,056,342)
Other income	200,000	396,840	513,833	116,993
Total revenues	307,141,800	298,536,590	286,994,899	(11,541,690)
Expenditures:				
Education	156,762,100	152,066,600	149,549,835	2,516,765
Public safety	76,616,000	74,927,200	72,468,906	2,458,294
General government (including contingencies)	19,853,200	19,580,610	18,948,924	631,686
Public facilities	19,482,600	20,451,210	19,431,956	1,019,254
Financial administration	8,784,200	9,120,610	9,500,759	(380,149)
Judicial	3,257,400	3,176,240	3,124,867	51,373
Planning and growth management	3,760,000	3,783,680	3,624,371	159,309
Community services	2,953,900	2,651,850	2,639,970	11,880
Health services	2,973,600	3,246,600	3,245,047	1,553
Economic development	1,670,500	1,690,840	1,446,160	244,680
Social services	1,261,100	1,044,700	1,046,858	(2,158)
Legislative	2,134,700	1,964,690	1,955,930	8,760
Law	967,700	974,540	880,247	94,293
Conservation of natural resources	649,000	630,500	602,244	28,256
Elections	910,600	877,600	706,010	171,590
Debt service				
Interest	6,364,500	6,364,500	6,358,991	5,509
Total expenditures	308,401,100	302,551,970	295,531,075	7,020,895
Excess (deficiency) of revenues over (under) expenditures	(1,259,300)	(4,015,380)	(8,536,176)	(4,520,796)
Other financing sources (uses):				
Proceeds from capital lease agreement	1,981,200	1,981,200	2,019,000	37,800
Premium on debt proceeds	0	0	1,504,644	1,504,644
Bond Proceeds from debt refunding	0	0	11,200,097	11,200,097
Defeased Bonds	0	0	(11,728,871)	(11,728,871)
Transfers in	599,800	1,699,580	1,815,192	115,612
Transfers out	(4,117,900)	(4,018,640)	(3,682,811)	335,829
Total other financing sources (uses)	(1,536,900)	(337,860)	1,127,251	1,465,111
Net change in fund balance	(2,796,200)	(4,353,240)	(7,408,925)	(3,055,685)
Fund balance - beginning of year	54,725,700	54,725,700	54,725,700	0
Fund balance - end of year	\$ 51,929,500	\$ 50,372,460	\$ 47,316,775	\$ (3,055,685)

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## OTHER SUPPLEMENTARY INFORMATION

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
JUNE 30, 2009

	Planning Grants	Judicial Grants	Transportation Grants	Public Safety Grants	Community Development Grants	Housing Assistance
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,610,149
Other receivables	45,718	212,379	606,835	259,287	27,003	41,092
Due (to) from other funds	0	0	896,832	0	130,808	57,501
Other assets	0	0	0	0	0	0
Restricted assets	0	0	0	0	0	0
Total assets	<u>\$ 45,718</u>	<u>\$ 212,379</u>	<u>\$ 1,503,667</u>	<u>\$ 259,287</u>	<u>\$ 157,811</u>	<u>\$ 2,708,742</u>
<b>LIABILITIES AND FUND BALANCE:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 13,718	\$ 6,528	\$ 737,526	\$ 17,247	\$ 1,003	\$ 56,061
Accrued expenditures	0	0	0	0	0	0
Deferred revenue	5,250	11,496	1,520	60,523	0	4,119
Due to other funds	11,750	194,355	0	181,517	0	0
Other liabilities	0	0	0	0	0	0
Total liabilities	<u>30,718</u>	<u>212,379</u>	<u>739,046</u>	<u>259,287</u>	<u>1,003</u>	<u>60,180</u>
<b>Fund balance:</b>						
Reserved fund balance	15,000	0	764,621	0	156,808	2,648,562
<b>Unreserved:</b>						
Designated fund balance	0	0	0	0	0	0
Undesignated fund balance	0	0	0	0	0	0
Total fund balance	<u>15,000</u>	<u>0</u>	<u>764,621</u>	<u>0</u>	<u>156,808</u>	<u>2,648,562</u>
Total liabilities and fund balance	<u>\$ 45,718</u>	<u>\$ 212,379</u>	<u>\$ 1,503,667</u>	<u>\$ 259,287</u>	<u>\$ 157,811</u>	<u>\$ 2,708,742</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING BALANCE SHEET (continued)  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Housing Special Loans	Sheriff's Special Programs	Community Development	Animal Shelter/ Control	Drug Forfeitures
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other receivables	0	2,951	42,310	7,817	0
Due (to) from other funds	0	337,743	0	84,703	495,355
Other assets	0	0	0	0	0
Restricted assets	0	0	0	0	0
Total assets	<u>\$ 0</u>	<u>\$ 340,694</u>	<u>\$ 42,310</u>	<u>\$ 92,520</u>	<u>\$ 495,355</u>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 0	\$ 4,007	\$ 35,490	\$ 9,261	\$ 83
Accrued expenditures	0	0	0	0	0
Deferred revenue	0	0	0	6,325	0
Due to other funds	20,174	0	6,820	0	0
Other liabilities	0	0	0	3,885	0
Total liabilities	<u>20,174</u>	<u>4,007</u>	<u>42,310</u>	<u>19,471</u>	<u>83</u>
<b>Fund balance:</b>					
Reserved fund balance		336,687	0	73,049	495,272
<b>Unreserved:</b>					
Designated fund balance		0	0	0	0
Undesignated fund balance	(20,174)	0	0	0	0
Total fund balance	<u>(20,174)</u>	<u>336,687</u>	<u>0</u>	<u>73,049</u>	<u>495,272</u>
Total liabilities and fund balance	<u>\$ 0</u>	<u>\$ 340,694</u>	<u>\$ 42,310</u>	<u>\$ 92,520</u>	<u>\$ 495,355</u>



THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING BALANCE SHEET (continued)  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Agricultural Preservation	Fire and Rescue	Law Library	Tourism Grants	Aging 40 fund
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 0	\$ 0	\$ 100	\$ 0	\$ 0
Other receivables	0	0	8,025	0	4,678
Due (to) from other funds	1,048,969	2,410,214	49,418	0	81,033
Other assets	0	0	0	0	285
Restricted assets	0	0	0	0	0
Total assets	<u>\$ 1,048,969</u>	<u>\$ 2,410,214</u>	<u>\$ 57,543</u>	<u>\$ 0</u>	<u>\$ 85,996</u>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 0	\$ 1,469	\$ 7,073	\$ 0	\$ 58,572
Accrued expenditures	0	0	0	0	0
Deferred revenue	1,048,969	0	0	0	27,424
Due to other funds	0	0	0	0	0
Other liabilities	0	2,208,472	0	0	0
Total liabilities	<u>1,048,969</u>	<u>2,209,941</u>	<u>7,073</u>	<u>0</u>	<u>85,996</u>
<b>Fund balance:</b>					
Reserved fund balance	0	200,273	50,470	0	0
Unreserved:					
Designated fund balance	0	0	0	0	0
Undesignated fund balance	0	0	0	0	0
Total fund balance	<u>0</u>	<u>200,273</u>	<u>50,470</u>	<u>0</u>	<u>0</u>
Total liabilities and fund balance	<u>\$ 1,048,969</u>	<u>\$ 2,410,214</u>	<u>\$ 57,543</u>	<u>\$ 0</u>	<u>\$ 85,996</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING BALANCE SHEET (continued)  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Aging 43 fund	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 0	\$ 500	\$ 2,850	\$ 0	\$ 0	\$ 2,613,599
Other receivables	32,475	240	489,946	439,422	352,480	2,572,657
Due (to) from other funds	0	43,727	101,093	478,414	0	6,215,810
Other assets	0	0	0	0	0	285
Restricted assets	0	0	0	0	0	0
Total assets	<u>\$ 32,475</u>	<u>\$ 44,467</u>	<u>\$ 593,889</u>	<u>\$ 917,836</u>	<u>\$ 352,480</u>	<u>\$ 11,402,351</u>
<b>LIABILITIES AND FUND BALANCE:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 13,095	\$ 10,361	\$ 97,501	\$ 86,978	\$ 70,282	\$ 1,226,255
Accrued expenditures	0	0	0	0	0	0
Deferred revenue	2,018	0	383,935	0	0	1,551,579
Due to other funds	17,362	0	0	0	282,198	714,176
Other liabilities	0	0	0	0	0	2,212,357
Total liabilities	<u>32,475</u>	<u>10,361</u>	<u>481,436</u>	<u>86,978</u>	<u>352,480</u>	<u>5,704,367</u>
<b>Fund balance:</b>						
Reserved fund balance	0	34,106	112,453	830,858	0	5,718,158
<b>Unreserved:</b>						
Designated fund balance	0	0	0	0	0	0
Undesignated fund balance	0	0	0	0	0	(20,174)
Total fund balance	<u>0</u>	<u>34,106</u>	<u>112,453</u>	<u>830,858</u>	<u>0</u>	<u>5,697,984</u>
Total liabilities and fund balance	<u>\$ 32,475</u>	<u>\$ 44,467</u>	<u>\$ 593,889</u>	<u>\$ 917,836</u>	<u>\$ 352,480</u>	<u>\$ 11,402,351</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 OTHER GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Planning Grants	Judicial Grants	Transportation Grants	Public Safety Grants	Community Development Grants	Housing Assistance
<b>REVENUES:</b>						
Taxes - local property	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Charge for services	0	0	807,352	0	0	798,058
Intergovernmental	101,218	801,383	2,549,561	907,316	225,240	7,354,699
Interest income	0	21	0	0	0	4,864
Other income	3,500	566	317,536	0	0	0
Total revenues	104,718	801,970	3,674,449	907,316	225,240	8,157,621
<b>EXPENDITURES:</b>						
Education	0	0	0	0	0	0
Public safety	0	0	0	1,300,848	0	0
Community services	0	0	5,796,118	0	225,240	9,267,729
Judicial	0	1,086,069	0	0	0	0
Planning & growth mgmt.	104,718	0	0	0	0	0
Health	0	0	0	0	0	0
Economic development	0	0	0	0	0	0
Social services	0	0	0	0	0	0
Legislative	0	0	0	0	0	0
Total expenditures	104,718	1,086,069	5,796,118	1,300,848	225,240	9,267,729
Excess (deficiency) of revenues over (under) expenditures	0	(284,099)	(2,121,670)	(393,532)	0	(1,110,108)
<b>Other financing sources:</b>						
Issuance of debt	0	0	0	0	0	0
Transfers in	15,000	284,099	2,136,354	393,532	0	0
Transfers out	0	0	0	0	0	0
	15,000	284,099	2,136,354	393,532	0	0
Net change in fund balance	15,000	0	14,684	0	0	(1,110,108)
Fund balance - beginning of year	0	0	749,936	0	156,808	3,758,670
Fund balance - end of year	\$ 15,000	\$ 0	\$ 764,620	\$ 0	\$ 156,808	\$ 2,648,562



THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE (continued)  
 OTHER GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Housing Special Loans	Sheriff's Special Programs	Community Development	Animal Shelter/ Control	Drug Forfeitures	Agricultural Preservation
REVENUES:						
Taxes - local property	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 275,374
Charge for services	0	301,424	0	86,854	55,196	0
Intergovernmental	80,403	0	71,420	0	0	0
Interest income	0	0	0	0	1,532	0
Other income	0	0	0	19,969	0	0
Total revenues	80,403	301,424	71,420	106,823	56,728	275,374
EXPENDITURES:						
Education	0	0	0	0	0	0
Public safety	0	334,353	0	114,940	120,427	0
Community services	190,450	0	71,420	0	0	0
Judicial	0	0	0	0	0	0
Planning & growth mgmt.	0	0	0	0	0	358,478
Health	0	0	0	0	0	0
Economic development	0	0	0	0	0	0
Social services	0	0	0	0	0	0
Legislative	0	0	0	0	16,766	0
Total expenditures	190,450	334,353	71,420	114,940	137,193	358,478
Excess (deficiency) of revenues over (under) expenditures	(110,047)	(32,929)	0	(8,116)	(80,465)	(83,104)
Other financing sources:						
Issuance of debt	0	0	0	0	0	0
Transfers in	0	0	0	0	0	83,104
Transfers out	0	0	0	0	(14,632)	0
	0	0	0	0	(14,632)	83,104
Net change in fund balance	(110,047)	(32,929)	0	(8,116)	(95,097)	0
Fund balance - beginning of year	89,873	369,616	0	81,165	590,369	0
Fund balance - end of year	\$ (20,174)	\$ 336,687	\$ 0	\$ 73,049	\$ 495,272	\$ 0

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE (continued)  
 OTHER GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Fire and Rescue	Law Library	Tourism Grants	Aging 40 fund	Aging 43 fund
<b>REVENUES:</b>					
Taxes - local property	\$ 11,143,720	\$ 0	\$ 0	\$ 0	\$ 0
Charge for services	0	79,083	0	0	0
Intergovernmental	244,014	20,000	26,233	308,036	435,620
Interest income	91,661	0	0	0	0
Other income	0	1,038	0	57,974	0
Total revenues	11,479,395	100,121	26,233	366,010	435,620
<b>EXPENDITURES:</b>					
Education	0	0	0	0	0
Public safety	11,898,256	0	0	0	0
Community services	0	0	0	0	0
Judicial	0	212,164	0	0	0
Planning & growth mgmt.	0	0	0	0	0
Health	0	0	0	0	0
Economic development	0	0	26,233	0	0
Social services	0	0	0	366,010	435,620
Legislative	0	0	0	0	0
Total expenditures	11,898,256	212,164	26,233	366,010	435,620
Excess (deficiency) of revenues over (under) expenditures	(418,861)	(112,043)	0	0	0
<b>Other financing sources:</b>					
Issuance of debt	0	0	0	0	0
Transfers in	0	3,000	0	0	0
Transfers out	0	0	0	0	0
	0	3,000	0	0	0
Net change in fund balance	(418,861)	(109,043)	0	0	0
Fund balance - beginning of year	619,134	159,514	0	0	0
Fund balance - end of year	\$ 200,273	\$ 50,471	\$ 0	\$ 0	\$ 0

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE (continued)  
 OTHER GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
<b>REVENUES:</b>					
Taxes - local property	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,419,094
Charge for services	17,145	0	1,732,026	0	3,877,138
Intergovernmental	80,000	3,687,974	0	498,725	17,391,842
Interest income	0	3,774	0	0	101,852
Other income	77	11,724	0	0	412,384
Total revenues	97,222	3,703,472	1,732,026	498,725	33,202,310
<b>EXPENDITURES:</b>					
Education	0	0	1,688,614	0	1,688,614
Public safety	109,701	0	0	612,647	14,491,172
Community services	0	0	0	0	15,550,957
Judicial	0	0	0	0	1,298,233
Planning & growth mgmt.	0	0	0	0	463,196
Health	0	3,728,480	0	0	3,728,480
Economic development	0	0	0	0	26,233
Social services	0	0	0	0	801,630
Legislative	0	0	0	0	16,766
Total expenditures	109,701	3,728,480	1,688,614	612,647	38,065,281
Excess (deficiency) of revenues over (under) expenditures	(12,479)	(25,008)	43,412	(113,922)	(4,862,971)
<b>Other financing sources:</b>					
Issuance of debt	0	0	0	0	0
Transfers in	40,000	0	0	113,922	3,069,011
Transfers out	0	0	0	0	(14,632)
	40,000	0	0	113,922	3,054,379
Net change in fund balance	27,521	(25,008)	43,412	0	(1,808,592)
Fund balance - beginning of year	6,585	137,460	787,446	0	7,506,576
Fund balance - end of year	\$ 34,106	\$ 112,452	\$ 830,858	\$ 0	\$ 5,697,984



THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
COMBINING STATEMENT OF NET ASSETS  
OTHER PROPRIETARY FUNDS  
JUNE 30, 2009

	Inspections and Review	County Parks Operations	Recreation Programs	Solid Waste Management
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 0	\$ 130,129	\$ 982,726	\$ 2,000
Other receivables	74,488	4,968	10,192	409,270
Due (to) from other funds	2,264,833	0	0	12,377,984
Inventory	0	55,185	1,563	0
Other current assets	0	0	106,038	0
Total current assets	2,339,321	190,282	1,100,519	12,789,254
Noncurrent assets:				
Net capital assets	206,401	314,299	8,963,109	11,870,506
Restricted assets	0	0	0	121,851
Total noncurrent assets	206,401	314,299	8,963,109	11,992,357
Total assets	2,545,722	504,581	10,063,628	24,781,611
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	61,526	14,536	112,733	66,546
Accrued expenses	8,982	18,021	150,296	21,835
Due to other funds	0	213,448	3,442,367	0
Net bond issue premiums	0	(1,905)	124,915	(4,813)
Unearned revenue	31,397	0	287,469	0
Current portion of long-term debt	59,026	45,791	484,788	22,840
Total current liabilities	160,931	289,891	4,602,568	106,408
Noncurrent liabilities:				
Other liabilities	0	0	0	121,851
Bonds payable	0	123,320	6,704,346	0
Long-term debt	78,544	52,950	13,046	5,067,305
Net pension obligation	9,927	3,799	1,860	15,076
Net OPEB obligation	249,114	76,266	54,474	391,896
Capital lease obligation	163,196	34,210	0	0
Total noncurrent liabilities	500,781	290,545	6,773,726	5,596,128
Total liabilities	661,712	580,436	11,376,294	5,702,536
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	(953)	117,790	1,774,903	11,870,506
Unrestricted	1,884,963	(193,645)	(3,087,569)	7,208,569
Total net assets	\$ 1,884,010	\$ (75,855)	\$ (1,312,666)	\$ 19,079,075

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF NET ASSETS  
 OTHER PROPRIETARY FUNDS (continued)  
 JUNE 30, 2009

	Environmental Services	Vending Machines	Total
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 0	\$ 79,942	\$ 1,194,797
Other receivables	12,879	0	511,797
Due (to) from other funds	1,671,239	0	16,314,056
Inventory	0	0	56,748
Other current assets	0	0	106,038
Total current assets	1,684,118	79,942	18,183,436
Noncurrent assets:			
Net capital assets	3,174,203	0	24,528,518
Restricted assets	0	0	121,851
Total noncurrent assets	3,174,203	0	24,650,369
Total assets	4,858,321	79,942	42,833,805
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	287,449	47	542,837
Accrued expenses	53,395	0	252,529
Due to other funds	0	12,203	3,668,018
Net bond issue premiums	41,071	0	159,268
Unearned revenue	0	0	318,866
Current portion of long-term debt	198,257	0	810,702
Total current liabilities	580,172	12,250	5,752,220
Noncurrent liabilities:			
Other liabilities	0	0	121,851
Bonds payable	1,910,360	0	8,738,026
Long-term debt	96,665	0	5,308,510
Net pension obligation	6,280	0	36,942
Net OPEB obligation	147,082	0	918,832
Capital lease obligation	142,901	0	340,307
Total noncurrent liabilities	2,303,288	0	15,464,468
Total liabilities	2,883,460	12,250	21,216,688
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	931,438	0	14,693,684
Unrestricted	1,043,423	67,692	6,923,433
Total net assets	\$ 1,974,861	\$ 67,692	\$ 21,617,117

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET ASSETS  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2009

	Inspections and Review	County Parks Operations	Recreation Programs	Solid Waste Management
Operating revenues:				
Charge for services	\$ 2,344,701	\$ 832,015	\$ 2,695,111	\$ 3,771,529
Other income	1,039	1,844	79,577	937
Total operating revenue	<u>2,345,740</u>	<u>833,859</u>	<u>2,774,688</u>	<u>3,772,466</u>
Operating expenses:				
Personnel services	1,259,930	646,496	1,258,138	2,119,363
Utilities	0	48,958	366,547	49,313
Repairs and maintenance	2,869	42,203	106,496	183,147
Insurance costs	4,900	4,070	17,774	11,217
Indirect costs	20,200	0	0	178,600
Supplies	14,319	138,078	280,878	176,486
Contract services	1,703,029	2,834	421,927	77,147
Other operating costs	15,741	21,464	92,165	37,548
Depreciation	34,393	67,736	334,545	724,511
Total operating expenses	<u>3,055,381</u>	<u>971,839</u>	<u>2,878,470</u>	<u>3,557,332</u>
Operating income (loss)	<u>(709,641)</u>	<u>(137,980)</u>	<u>(103,782)</u>	<u>215,134</u>
Nonoperating revenues (expenses)				
Interest income	0	634	861	104,748
Intergovernmental	0	0	24,259	0
Interest expense	(6,973)	(8,293)	(306,933)	0
Gain on disposal of capital assets	0	0	0	0
Total nonoperating revenue (expenses)	<u>(6,973)</u>	<u>(7,659)</u>	<u>(281,813)</u>	<u>104,748</u>
Income (loss) before transfers	<u>(716,614)</u>	<u>(145,639)</u>	<u>(385,595)</u>	<u>319,882</u>
Transfers in	0	76,205	0	0
Transfers out	0	0	0	(599,800)
Change in net assets	<u>(716,614)</u>	<u>(69,434)</u>	<u>(385,595)</u>	<u>(279,918)</u>
Net assets - beginning of year	<u>2,600,624</u>	<u>(6,421)</u>	<u>(927,071)</u>	<u>19,358,993</u>
Net assets - end of year	<u>\$ 1,884,010</u>	<u>\$ (75,855)</u>	<u>\$ (1,312,666)</u>	<u>\$ 19,079,075</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET ASSETS (continued)  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2009

	Environmental Services	Vending Machines	Total
Operating revenues:			
Charge for services	\$ 3,266,450	\$ 111,340	\$ 13,021,146
Other income	6,149	0	89,546
Total operating revenue	<u>3,272,599</u>	<u>111,340</u>	<u>13,110,692</u>
Operating expenses:			
Personnel services	1,014,214	0	6,298,141
Utilities	22,446	0	487,264
Repairs and maintenance	98,307	0	433,022
Insurance costs	19,456	0	57,417
Indirect costs	0	0	198,800
Supplies	195,116	0	804,877
Contract services	1,421,993	0	3,626,930
Other operating costs	185,316	92,185	444,419
Depreciation	312,077	0	1,473,262
Total operating expenses	<u>3,268,925</u>	<u>92,185</u>	<u>13,824,132</u>
Operating income (loss)	<u>3,674</u>	<u>19,155</u>	<u>(713,440)</u>
Nonoperating revenues (expenses)			
Interest income	11,154	0	117,397
Intergovernmental	0	0	24,259
Interest expense	(73,414)	0	(395,613)
Gain on disposal of capital assets	8,725	0	8,725
Total nonoperating revenue (expenses)	<u>(53,535)</u>	<u>0</u>	<u>(245,232)</u>
Income (loss) before transfers	<u>(49,861)</u>	<u>19,155</u>	<u>(958,672)</u>
Transfers in	0	0	76,205
Transfers out	<u>0</u>	<u>0</u>	<u>(599,800)</u>
Change in net assets	<u>(49,861)</u>	<u>19,155</u>	<u>(1,482,267)</u>
Net assets - beginning of year	<u>2,024,722</u>	<u>48,537</u>	<u>23,099,384</u>
Net assets - end of year	<u>\$ 1,974,861</u>	<u>\$ 67,692</u>	<u>\$ 21,617,117</u>



THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
COMBINING STATEMENT OF CASH FLOWS  
OTHER PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	Inspections and Review	County Parks Operations	Recreation Programs	Solid Waste Management
Cash flows from operating activities:				
Cash received from customers	\$ 2,373,606	\$ 834,214	\$ 2,762,710	\$ 3,715,729
Cash paid to suppliers	(1,875,579)	(237,828)	(1,362,392)	(1,059,225)
Cash paid to employees	(1,257,842)	(647,221)	(1,223,094)	(2,119,362)
Net cash provided by (used in) operating activities	(759,815)	(50,835)	177,224	537,142
Cash flows from investing activities:				
Interest received	0	634	861	104,748
Net cash provided by investing activities	0	634	861	104,748
Cash flows from noncapital financing activities:				
Intergovernmental	0	0	24,259	0
Transfers in (out)	0	76,205	0	(599,800)
Receipts from interfund loans	802,925	0	0	(41,024)
Repayment of interfund loans	0	59,299	1,483,250	0
Net cash provided by (used in) noncapital financing activities	802,925	135,504	1,507,509	(640,824)
Cash flows from capital and related financing activities:				
Proceeds from issuance of bonds	0	0	0	0
Proceeds from new loans	0	0	0	0
Principal payments on bonds payable	0	(21,301)	(466,779)	0
Principal payments on capital lease obligations	0	(20,667)	0	0
Principal payments on loans	(29,802)	0	0	0
Interest paid	(6,973)	(8,293)	(306,933)	0
Proceeds from disposal of assets	0	0	0	0
Cash (paid) received for capital expenses	(6,335)	21,117	(58,238)	134
Net cash used in capital and related financing activities	(43,110)	(29,144)	(831,950)	134
Net increase (decrease) in cash and cash equivalents	0	56,159	853,644	1,200
Cash and cash equivalents - beginning of year	0	73,970	129,082	800
Cash and cash equivalents - end of year	\$ 0	\$ 130,129	\$ 982,726	\$ 2,000

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS - (continued)  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2009

	Inspections and Review	County Parks Operations	Recreation Programs	Solid Waste Management
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (709,641)	\$ (137,980)	\$ (103,782)	\$ 215,134
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	34,393	67,736	334,545	724,511
Increase (decrease) in compensation-related liabilities included in long-term debt	0	0	0	0
(Increase) decrease in other receivables	29,236	355	2,194	(56,738)
(Increase) decrease in inventories	0	(5,010)	(1,563)	0
(Increase) decrease in other current assets	0	0	(80,003)	628
(Increase) decrease in restricted assets	0	0	0	(4,480)
Increase (decrease) in accounts payable	(240,965)	(7,758)	(9,724)	(507,589)
Increase (decrease) in accrued expenses	2,089	(726)	35,042	123
Increase (decrease) in other liabilities	0	0	0	3,731
Increase (decrease) in Net Pension Obligation	(401)	(144)	(4,929)	1,304
Increase (decrease) in Net OPEB Obligation	126,845	32,692	19,615	160,518
Increase (decrease) in deferred revenue	(1,370)	0	(14,172)	0
Net cash provided by operating activities	<u>\$ (759,814)</u>	<u>\$ (50,835)</u>	<u>\$ 177,223</u>	<u>\$ 537,143</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Inspections and Review	County Parks Operations	Recreation Programs	Solid Waste Management
Borrowing under capital lease	203,100	33,000	0	0

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS - (continued)  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2009

	Environmental Services	Vending Machines	Total
Cash flows from operating activities:			
Cash received from customers	\$ 3,282,750	\$ 111,340	\$ 13,080,349
Cash paid to suppliers	(1,682,195)	(92,138)	(6,309,357)
Cash paid to employees	(1,010,047)	0	(6,257,566)
Net cash provided by (used in) operating activities	<u>590,508</u>	<u>19,202</u>	<u>513,426</u>
Cash flows from investing activities:			
Interest received	11,154	0	117,397
Net cash provided by investing activities	<u>11,154</u>	<u>0</u>	<u>117,397</u>
Cash flows from noncapital financing activities:			
Intergovernmental	0	0	24,259
Transfers in (out)	0	0	(523,595)
Receipts from interfund loans	(579,080)	0	182,821
Repayment of interfund loans	0	11,291	1,553,840
Net cash provided by (used in) noncapital financing activities	<u>(579,080)</u>	<u>11,291</u>	<u>1,237,325</u>
Cash flows from capital and related financing activities:			
Proceeds from issuance of bonds	550,000	0	550,000
Proceeds from new loans	0	0	0
Principal payments on bonds payable	(199,441)	0	(687,521)
Principal payments on capital lease obligations	(62,861)	0	(83,528)
Principal payments on loans	0	0	(29,802)
Interest paid	(73,414)	0	(395,613)
Proceeds from disposal of assets	8,725	0	8,725
Cash paid for capital expenses	<u>(245,591)</u>	<u>0</u>	<u>(288,913)</u>
Net cash used in capital and related financing activities	<u>(22,582)</u>	<u>0</u>	<u>(926,652)</u>
Net increase in cash and cash equivalents	0	30,493	941,496
Cash and cash equivalents - beginning of year	0	49,449	253,301
Cash and cash equivalents - end of year	<u>\$ 0</u>	<u>\$ 79,942</u>	<u>\$ 1,194,797</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS - (continued)  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2009

	Environmental Services	Vending Machines	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 3,674	\$ 19,155	\$ (713,440)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	312,077	0	1,473,262
Increase (decrease) in compensation-related liabilities included in long-term debt	0	0	0
(Increase) decrease in other receivables	10,151	0	(14,802)
Increase in inventories	0	0	(6,573)
Increase in other current assets	0	0	(79,375)
Increase in restricted assets	0	0	(4,480)
Increase (decrease) in accounts payable	204,831	48	(561,157)
Increase in accrued expenses	4,168	0	40,696
Increase in other liabilities	0	0	3,731
Increase (decrease) in Net Pension Obligation	32	0	(4,138)
Increase (decrease) in Net OPEB Obligation	55,577	0	395,247
Decrease in deferred revenue	0	0	(15,542)
Net cash provided by (used in) operating activities	<u>\$ 590,510</u>	<u>\$ 19,203</u>	<u>\$ 513,429</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Environmental Services	Vending Machines	Total
Borrowing under capital lease	153,000	0	389,100